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EDITORIAL

As We See It

Travesty or Tragedy — or Both?

The way in which the vital interests of this country are being tossed about from incompetent to incompetent, from politician to politician, from spell-binder to spell-binder, has many of the elements of both travesty and tragedy.

The Secretary of State is in Europe discussing with the representatives of other countries some of the most troublesome problems ever to confront this nation. The difficulties being encountered in these conferences, some the creations of our own previous blunders, some in all probability inevitable in any event, would tax the abilities of outstanding statesmen who saw us through earlier days of turmoil and danger. Yet the Department of State which must deal with these things is under a cloud—and that after full allowance for the extremism, indeed at times the apparent irresponsibility, of some of its accusers.

Even the Secretary himself, though his personal integrity and loyalty have, so far as is known to us, never been brought into question, stands open to suspicion of a certain sort of blindness in passing judgment upon those for whose actions he must stand responsible. He has of late been gaining something of a reputation as a phrase-maker, and circumstances have forced the President to give him advisers from Republican ranks. He has been using strong language, words which in former and more polite times would have shocked the world and might even have resulted in a "hot war" forthwith. Of course, this type of verbal brawl appears to be the fashion of the times, and is apparently not intended by

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Business and Banking Outlook

By RAYMOND RODGERS*

Professor of Banking, School of Commerce, Accounts and Finance, New York University

Contending, though business will be good for the next few months, there are indications of a slackening before end of year, Dr. Rodgers advises bankers to exercise moderation in all things. Advocates a cautious and conservative but constructive banking policy, and concludes a sound, well administered banking system is strongest assurance against booms and busts. Sees skill of highest order essential to fit individual bank operations to dynamic forces of business activity, Treasury operations and monetary policies.

Running a bank is very much like sailing a boat. The bank rides on the level of business activity as the boat does on the water. The bank is at the mercy of economic tides flowing from Treasury operations, particularly debt management. The bank is subject to economic winds arising from Federal Reserve policies. A good banker gives due regard to these basic factors in his own policies, plans and operations. Good bankers have always known that they were not free agents in any sense of the word; and this is true in many more respects today than it ever was in the past.

Raymond Rodgers

Skill of a high order is necessary to fit the operations of the individual bank to these basic forces of business activity, Treasury operations and monetary policies. Such skill is developed by practice and, above all, by continuous study and close observation of economic and financial developments, especially those arising from administrative and monetary management actions in Washington. Knowledge of the economic and other

*An address by Prof. Rodgers at the Bank Executives Forum, Florida Bankers Association, Daytona Beach, Fla., May 10, 1950.

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Trusts' Portfolio Changes Trail Market Activity

By HENRY ANSBACHER LONG

Analysis by Mr. Long shows the trust managements' activity unchanged from previous quarter's level. Purchases continued to dominate in utility, oil, natural gas and building issues. Increasing interest was shown in chemicals, but merchandising and non-ferrous groups lost their recent popularity. Steels were sold. Cash balances increased. Blue Chips' influence on market found negligible. Trend toward private placements indicated.

An increase in activity of over 20% on the New York Stock Exchange during the first quarter of the year found little accompanying reflection in the portfolio transactions of investment companies. Purchasing volume strikingly paralleled that of the previous three-month period, while there was a slight increase of 5% in selling operations. Buyers continued to favor the utilities, oil, natural gas and building stocks. However, enthusiasm decreased somewhat for the utility issues, while interest increased in the latter groups. Chemicals also received top-rating in popularity and there were many purchases among a wide list of finance, banking and insurance equities. Buying in the non-ferrous metal and merchandising categories was almost matched by the offerings as contrasted with the enthusiasm displayed towards these groups in the previous quarter. Although profit-taking in the oils contracted somewhat, there was a slight increase in the selling of utilities and these two groups, along with the natural gas issues, accounted for 30% of the quarter's selling transactions. Sales were particularly noticeable in the steel group, and otherwise scattered generally throughout the list.

Henry A. Long

Balance of net cash and governments of the 62 companies covered in the survey increased 14% over the

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The CHRONICLE will publish a Special Section devoted to the 34th Annual Meeting of the Investment Dealers' Association of Canada, which will be held at the Seigniory Club, Montebello, Quebec, June 5-8.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

EDMUND G. BLACKBURN
Manager, Research Department, Southern Division, Walston, Hoffman & Goodwin, Los Angeles 13, Calif.

(Lane-Wells Company)

For the proverbial businessman, who wants a statistically undervalued stock, returning a liberal yield, and with good growth possibilities, Lane-Wells Company common stock is my choice as one of the most attractive equities available in that category. Listed on both the New York and Los Angeles Stock Exchanges, this issue is currently selling around its 1950 high at 29¼ at which price the annual $2.40 dividend yields 8.21%. This price is only 4.6 times the reported 1949 share earnings of $6.32 and it would appear at this writing that 1950 per share profits should be better than those reported for last year. Evidence of this is seen in the fact that first quarter profits were equal to $1.55 a share, the highest first quarter in the history of the company.

Edmund G. Blackburn

The important services rendered to the oil industry by this distinctive company are reflected in its unique growth record, with the volume of business increasing each year since Lane-Wells was originally organized in 1932. Gross income in 1949 was at a record high at almost $16 million, up about 17% over the 1948 gross of $13.7 million, and six times that of $2.7 million reported for 1939. Essentially a service organization, Lane-Wells obtains about 60% of its revenues from the perforation of oil well casings and formations, and about 25% of revenues from radioactivity logging services (which record graphically the type and depth of formation through which drilling is proceeding); the remaining 15% of gross comes from the sale of oil well speciality tools and equipment manufactured by the company.

Manufacturing facilities are located in Los Angeles, Houston and Oklahoma City; field operations are conducted through three large divisions (California, Gulf Coast and Mid-Continent), and 62 oil field service and sales stations are operated. Of these, 53 are located in the United States, seven in Venezuela and two in Canada. The company equips in its own plants ingeniously engineered special service trucks, with 231 hoist and instrument trucks in service at the end of 1949.

Lane-Wells has expanded consistently its physical capacity, and has been aggressive in improving its services. The new Koneshot jet perforating service accounted for 35% of all the shots fired by the Company in 1949, replacing a portion of the bullet perforating service. The basic principle is the use of a cone-shaped charge of high explosive similar to that used in the "bazooka" of World War II. Penetration of the oil well casing is effected by a powerful gas jet, as no bullets or other projectiles are used.

Foreign activities have been increasing in importance. Income figures for 1949 include for the first time results of the Venezuelan affiliate. At the end of 1949, Lane-Wells owned 82% of the stock of Petro-Tech Service Company, which had acquired in January 1949 the assets and business of Venezuelan Oilfield Services, and in December 1949, the Venezuelan business of the Seismograph Service Corp. of Delaware. This step should result in an appreciable increase in the Venezuelan perforating business and should enable the company to meet the increased demand there for its exclusive radioactivity well logging services. To serve the rapidly expanding oil industry in Western Canada, a wholly-owned subsidiary, Lane-Wells Canadian Co., was incorporated last July, with headquarters and an operating base at Edmonton, and a sales office in Calgary, Alberta.

Capitalization is conservative, with a long-term debt of only $2,050,000 ranking ahead of the 360,000 shares of $1-par stock. At the end of 1949, current assets were $4.1 million, of which $1 million was cash, against current liabilities of $2.3 million, thus indicating net working capital at $1.8 million, with the current ratio at 1.8 to 1. The company has financed most of its expansion program from the cash flow of earnings from the business, and stated in the 1949 Annual Report: "Our 1950 capital expenditures will be greatly below those of recent years, and it is believed that profits will be sufficiently high to enable us to make further reductions in our long-term debt, and to improve appreciably our current position."

With the petroleum industry actively engaged in an aggressive exploration and drilling program—characteristic of its growth record—with new fields being developed inside and outside the continental United States — and with the trend toward notably deeper wells, it would appear that **Lane-Wells still possesses unusually interesting possibilities for further growth.** The indicated absence of unusual charges this year—which lowered last year's net—and the reduction in capital expenditures point at this time to a marked improvement over last year's per share profits. It seems to me that the stock is selling at a low price in relation to currently indicated earning power, despite the fact that it is close to its all-time high of 30½, recorded in 1948. It is my selection as an excellent combination of an attractive income producer with interesting price appreciation possibilities.

HERBERT W. GRINDAL
Partner, Reynolds & Co., N. Y. C.
Members N. Y. Stock Exchange

(Selected Oil Stocks)

I believe the following brief survey of current conditions in the Oil Industry and the existing opportunity which several oil companies offer the buyer of stocks and bonds, should receive careful consideration in your weekly forum of selected securities entitled "The Security I Like Best."

The outlook for oil earnings in 1950 has turned favorable. According to the Bureau of Mines, data for January and February and estimates for March now indicate a probable total demand for all petroleum products in the first quarter of about 6,730,000 barrels daily or a gain of about 8% compared with the first quarter of 1949, including a probable decline of about 24% in total exports, which however is a relatively minor quantity, and a gain of almost 10% in domestic demand. Motor fuel demand was up 6.5%, residual up 11%, distillate 12% and kerosene 16%. A substantial part of the gain is due to normal weather in 1950 versus abnormally mild weather in the same period of 1949, to increased demand for oil resulting from the coal shortage, to a 19% increase in oil burner installations over the first quarter of 1949, and to smaller seasonal stocks held by distributors and consumers that may explain the recent heavy withdrawals from primary storage.

Currently crude oil production is on a par with a year ago but crude oil stocks are 10.6% under last year's level, and are equal to only a 35 days' supply vs. 41 days in January, 1949, and 37 days in January, 1950. Refined products stocks are down to a 45 days' supply. Imports are running at 500,000 barrels daily vs. 450,000 barrels in April, 1949. If imports do not rise further, the statistical picture would point to a continuation

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Television—Our Fastest Growing Industry

By LEONARD F. CRAMER*
Vice-President, Allen B. Du Mont Laboratories

Mr. Cramer reviews development and progress of television, which, he says, in the short period since end of war has grown into a billion dollar industry. Maintains production has not yet caught up with demand, and predicts in 1950 value of output will rise to $2 billion. Points out beneficial impacts of this new industry on the economy, and decries recent "freeze" on additional telecasting stations by Federal Communications Commission.

Since I am connected with the young but already tremendous television industry, I will direct my remarks to you on that industry.


Leonard F. Cramer

Already, television has made progress beyond anything the industry had anticipated. The imagination of America has been captured by the force of this new mass communications medium like none other. Its potential is tremendous and nothing can prevent it from becoming one of the top ten industries in the nation in the next two years. Never in the history of our country has an industry grown up so fast.

The effect of television on the national economy is obvious. Television is no longer to be spoken of in the future tense; it is here . . . now!

Anyone reading the daily financial pages, advertising magazines and allied publications has evidence that the television industry has been the prop, so to speak, which has bulwarked American industry during a postwar era which economists told us would be a slump period.

Demand Still Exceeds Production

Production is going on at an unprecedented scale for so young an industry; yet, there are still not enough receivers to meet the demand. As of April 1, 1950, the latest count showed 5,343,000 receivers in American homes and public places. One hundred four television stations are on the air telecasting regularly.

Quoting Dr. O. H. Caldwell, editor of "Tele-Tech" and radio retailing magazines, the total television investment in the country is now in excess of $2.5 billion. It is anticipated that by the end of 1950 the total investment will reach $4.5 billion.

Nineteen fifty could be very easily a $2 billion year. Suppose we consider what 5,000,000 television sets made and sold this year would mean to the national economy. Figuring an average retail price of $250, they would represent a total expenditure of $1.250 billion by the American public. Let us add another 10% to account for servicing, antennae, parts, etc., and the figure rises to $1.375 billion.

Let us assume also that radio-phonographs will continue to be sold at about the same rate as 1949 when some 10,000,000 of them were retailed at an average price of $37.50, or about $375 million. That adds up to $400 million, if we reckon 5% more for servicing and repairs.

Thus, the television-radio industry would account for $1.775 billion in retail trade, or nearly 1% of the nation's disposable income of $192 billion, the 1949 figure.

Bear in mind that these figures are conservative for it is entirely conceivable that 1950 TV output and sales will go as high as 6,000,000 units and my percentage factors for servicing might be a bit low.

A "Billion Dollar" Industry

So you can see it's scarcely an exaggeration to speak of the manufacturing - distribution side of television as a "billion dollar industry." Actually, it looks more like $2 billion.

Please remember, gentlemen, that the foregoing production figures leave out telecasting entirely. However, in February, the television networks reported $1,730,-259 in billings. That was up 299% over the same month in 1949. First quarter time charges of all four of the television networks are well over last year's figures for the similar period.

In this discussion of the present and potential of the video industry, it might be good to review its progress through the years. Television actually began in this country in 1925 when the Federal Communications Commission issued the first license for a station, on the outskirts of Washington. The system was a mechanical one, utilizing a scanning disc. Electronic television, as we know it, was developed between 1931-1941. It was during this period that Dr. Allen B. Du Mont, who founded our company, accomplished the commercial development of the cathode-ray tube—the very heartbeat of television. He took the tube out of the laboratory curiosity class with a 25-hour life span and developed it to the point where it is today. Longevity records are many. Indeed, some of the cathode-ray tubes which were installed in Du Mont's first TV receivers, introduced in 1939,

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*A talk by Mr. Cramer before a group of television dealers in Boston, Mass., May 9, 1950.

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Prudent Man Rule in New York: Problems and Probable Effects

By EDWARD F. STAUDERMAN
Assistant Vice-President, Bank of the Manhattan Co.

Banker minimizes immediate effect of new statute relaxing investment operations of trustees, in view of present holdings of non-legals, special testamentary provisions, and present historically high stock market level. Predicts buying will flow into shares of financially strong companies, the industries including operating utility, bank, chain store, integrated oil, food and tobacco.

On July 1, certain amendments to the law governing legal investments for trustees in New York State will go into effect. The law states that the term trustee "shall include an executor, administrator, guardian and committee of the property of an incompetent person."


Edw. F. Stauderman

These amendments make several changes in the present law, but the most important of these is the permission to invest up to 35% (calculated on market value) of the assets of legal trusts in presently non-legal securities including common stocks. Such common stocks, except for bank and insurance company stocks, must be "fully listed and registered upon an exchange registered with the Securities and Exchange Commission as a national securities exchange." The only further restriction placed upon the trustee in his selection of common stocks is that the investment be made "only in such securities as would be acquired by prudent men of discretion and intelligence in such matters who are seeking a reasonable income and the preservation of their capital."

Offsets

It is estimated that the change in the law will reslease about $1,100,000,000 of trust assets from present legal list restrictions. However, this does not mean that this sum will be invested in common stocks after July 1, or even that it will become available for such investment. Many legal trusts already have non-legal items (securities, mortgages or real estate) among their assets such items being held under powers of retention. This will reduce the amount available for investment under the provisions of the amendment well below the $1,100,000,000 figure. Furthermore, the nature of many existing legal trusts will make it impractical for trustees to take full advantage of the change in the law. Advanced age of beneficiaries, early termination dates and encroachment provisions are among the factors that may require a high degree of liquidity and stability in trust investments and this may necessitate making little or no change in existing investments. Finally, the level of security prices, particularly common stocks, and the economic and political outlook may also prove powerful deterrents to taking full advantage of the provisions of the new law.

Trustee Problems

It is quite evident, therefore, that trustees will be faced with a number of problems in the investment administration of trust funds under the new law. However, the first and greatest of these problems will be how to invest the 35% of assets freed from present legal list restrictions. In order to clarify this problem, it is well to examine briefly the basic purpose behind the new law. This purpose is to stop the steady reduction in the real income of life beneficiaries of legal trusts. The combined forces of declining interest rates, substantially increased taxes and higher living costs have made great inroads into the real income of such trust beneficiaries over the past two decades. The only practical way that the income of most such trust beneficiaries can be materially increased at the present time is through the purchase of common stocks.

But right here a problem raises its head. The change in the law could certainly have come at a more opportune time than the present. We have been in a practically uninterrupted bull market for more than 10 months; by the time the law goes into effect, we may have been in a bull market for over a year. The market as measured by the Dow-Jones Industrial Stock Averages has already risen 55 points, or 34%; by July 1, it may be considerably higher. The purchase of common stocks at or near the peak of a bull market could mean a serious depreciation in the market value of a trust. A trustee has the duty to provide reasonable income to the life tenant consistent with the safety and preservation of the principal for the remaindermen. He must be equally cognizant of the interests of both.

No Simple Switch

Thus, it is clearly evident that the solution to the problem of investment in legal trusts under the new law is by no means the simple one of switching 35% of the assets of legal trusts into common stocks after July 1. However, investment problems are nothing new to experienced trustees; they have been meeting and solving such problems for many years. Present indications are that the majority of corporate trustees are likely to meet the current problem in the following manner:

If the market is around present levels by July 1, and there are no signs of serious business deterioration or impending international crisis, they will place a substantial part of the 35% of assets of legal trusts in common stocks. The common stocks favored will be those of financially strong companies, operating in relatively stable industries and possessed of long and favorable records of earnings and dividend payments. It appears likely that operating utility, bank, chain store, integrated oil, food and tobacco equities will comprise the bulk of such purchases, although not necessarily in that order of precedence and certainly not to the exclusion of other groups. Purchases of common stocks for pension funds under present conditions are also likely to be limited in amount to modest proportions of total funds and in type to the same general groups purchased for trust funds.

What will be the near term effects upon the securities markets of the impact of the new trust investment powers? Assuming that the market is at around present levels it should mean an increased demand for stocks, particularly for those of the type mentioned in the preceding paragraph. Should the market be at somewhat lower levels with the resultant more favorable yields on high-grade chemical and drug equities than those now available, it could also provide considerable support for stocks of this type. It will probably also mean some liquidation in high-grade long-term legal bonds, and some pressure on the prices of medium-grade legal railroad obligations. It is likely that many such high yielding railroad bonds were acquired by trustees of legal trusts in an effort to stem the declining income of trust beneficiaries and such bonds would be probable objects of replacement by first-rate common stocks. Legal bonds of both types just mentioned may already have started to meet selling from trustees who are getting their accounts in shape to take advantage of the new law when it goes into effect on July 1.

Although the potential amount of funds that could come into the stock market as a result of the change in the New York State Legal Law has been estimated at over $1 billion, it is doubtful whether the actual amount that will do so over the coming months will equal even half of this amount. The fact that many legal trusts already hold non-legal assets under powers of retention, the special requirements of many trusts which make equities unsuited to their needs and the demonstrated prudence of corporate trustees will account for the difference. From the longer term viewpoint the effect of pension fund buying upon the securities markets is likely to be much greater than the effect of buying by legal New York State trusts. Pension fund money will probably continue to flow into the securities markets in increasing amounts in the years ahead. On the other hand, relatively few trust agreements have been drawn up in recent years which limit trustees to legal investments and their number is continuing to diminish.

With Dempsey & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Albert J. Ellison, Jr. is with Dempsey & Co., 135 South La Salle Street, members of the Midwest Stock Exchange.

Denault & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Fenwick Smith is now associated with Denault & Co., Russ Building. He was formerly with Davies & Mejia.

Joins Hope & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Herbert M. Bullock is with Hope & Co., San Diego Trust & Savings Building.

Planning an Investment Program

By GEORGE F. SHASKAN, JR.*
Partner, Shaskan & Co., Members N. Y. Stock Exchange

Mr. Shaskan cites as indispensable investment goals: (1) obtaining of highest possible income consistent with safety of principal; and (2) protection against inflation inroads. States attitude toward market fluctuations distinguishes investor from speculator. Cites precepts of Benjamin Graham advising composition of portfolios between "offensive" and "defensive" securities; Government Savings Bonds being the ideal type of the latter. Gives basic rules for appraising bonds, and preferred and common stocks.

During the past 10 weeks we have studied the nature of investments, including the various types of securities, security markets and the operations of those security markets. We have also reviewed the sources of information relating to companies in whose securities we may be interested, and have seen some of the ways in which this information is analyzed for appraising these companies and their securities. We are now in a somewhat better position — I trust — for planning an investment program which will be the topic of today's lecture and the final lecture next week.


Geo. F. Shaskan, Jr.

Basis for Independent Judgment Afforded

At the outset, however, we had best point out again something that we have tried to stress during the entire series, and that is that this brief review of the investment field has not qualified us to act as security analysts and that we will still have to rely on the professional guidance that is available. On the other hand, I hope that this series of lectures will enable us to form independent judgments on what we may formerly have taken from others largely on faith and that we will have a clearer idea about our investment program not only with respect to its goals but also with reference to what we may reasonably expect from such a program. To do otherwise may be a costly experience — since in this field as in others a little knowledge can often lead to a great deal of harm.

In preparing for this lecture I had occasion to read for the third time Professor Benjamin Graham's excellent little book entitled "The Intelligent Investor" which we discussed in our first meeting and which I recommended as outside reading for the latter part of this course. I was particularly struck — as I have been on the two other occasions that I have read the book—by the fundamental soundness of Professor Graham's position and the very excellent investment advice which is offered here. I strongly urge once again that you carefully read this book and make a practice of reading it at least once a year. The material I assure you will not become stale and it is likely to remind us of certain basic concepts in investment programming that we are all too likely to forget and may even wish to forget in our normal desire to make one quick killing.

Our Real Investment Goals

Possibly the most difficult thing in the planning of an investment program is to determine at the outset just what our investmet goals really are. Few of us here, I feel, would be very happy if we were able to devise an investment program which would give us about a 4% income with a reasonable degree of safety — and yet that result is not an easily achieved one and would probably be considered quite adequate by those responsible for the handling of many of our large trust funds, insurance assets, etc.

Does this mean that we are not really investors at all but speculators? Well possibly yes. As we saw in our very first lecture the line between the investor and the speculator is not an easily defined one. We said at that time that the investor is more interested in income while the speculator is more interested in capital gain but income without reference to principal is meaningless while capital gains may be an important source of income.

Not Out to Beat Market

We will, however, assume that we are not "out to beat the market" or make a "quick killing." This latter path is strewn with the wrecks of the best intentions and the fondest hopes. As Professor Graham observes, the non-professional speculator in the market is almost bound to lose unless he is endowed with a very rare intuition which few of us is fortunate enough to possess.

We may, however, be bona fide investors and still be dissatisfied with the 4% income for the very good reason that our income is only important in relation to what it will buy. In the past ten years prices of the things we buy have doubled so that in order to retain the same standard of living which a 4% yield afforded us ten years ago, we would either have to double our investment or increase our income to 8%. While the course of prices in the near future is, of course, unknown we do know that over the long run the purchasing power of the monetary unit always seems to decline, that is, prices rise.

On the other hand, we cannot simply select an investment portfolio of high-yielding securities without reference to the outlook for the prices of those securities for often a very small decline in security prices will more than offset a substantial yield. For example, a security selling at $10 a share and paying 80 cents a year in dividends provides the handsome return of 8%, but a one point drop in the price of that security will wipe out more than the entire income.

Investment Goals

Our investment goals may therefore be described as (1) to obtain as high an income as possible paying full regard to the safety of our principal, and (2) to protect ourselves as much as possible against the inroads of inflation. Having obtained an investment program to meet these goals, we will as investors take the long run view and not be swayed by short term market fluctuations, speculative flurries, over-optimism and over-pessimism. As Professor Graham observes it is perhaps this attitude toward market fluctuations that principally distinguishes the investor from the speculator.

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*Transcript of the tenth lecture of a series on "Investment Planning for Women," given under the auspices of Shaskan & Co., at the Hotel Barbizon, New York City.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

With the continued strong showing of the steel industry in the previous week, total industrial production in the United States held virtually at the high level of the preceding week and was slightly higher than the comparable period of 1949. It is also worthy of note that both employment and unemployment were generally steady with the week before.

In the steel industry the past week's output continued to hold close to an all-time high record.

Consumer pressure for steel in all major classifications, according to "Steel," the national metalworking magazine, was on the increase. Despite capacity steel mill operations, orders are still piling up on producers' books, this trade paper states. Little headway is being made in catching up on arrearages. Demand for sheets and pipe is as strong as ever. Rising specifications for bars, plates and shapes are adding steadily to mill backlogs. Heavy tonnage carryover into third quarter is certain in all important products; sufficient, in fact, to usurp a large part of production for that period. Carryover, along with new summer business, will assure high-level steelmaking operations into fall. Vacation curtailments are expected to intensify tight supply conditions, which, in sheets and strip, now rival the acute shortage situation experienced in 1947-48.

Surprising vitality is shown by demand, coming from all directions. Only here and there are any soft spots noted in hard goods lines. These are so exceptional, the magazine declares, they are not considered of particular significance.

* * *

A settlement was reached early on Thursday, last, of the CIO United Auto Workers' 99-day strike against the Chrysler Corp. over wages and pensions. Strike-bound since Jan. 25 of this year, production was scheduled to resume on Monday of this week.

In the settlement, the basic issue over which the strike was called—pensions—was resolved when the union agreed to accept a funded scheme, patterned after the Ford Motor Co. plan, providing for a pension of $100 a month, including Social Security, for workers at the age of 65 who have 25 years of credited service.

With Chrysler back in production, all previous records for car and truck output are likely to be topped, according to "Ward's Automotive Report." With the company's May assemblies conservatively estimated, the industry's August, 1949, monthly record of 684,956 cars and trucks for the U. S. and Canada is in "immediate jeopardy," the agency added.

Weekly production records will also go by the board when Chrysler regains "some semblance of its pre-strike rates," Ward's declared. Later, six-day operations by the company will send United States auto production to "unbelievable heights," it predicted. The only hindrance to the attainment of full-scale Chrysler production is the availability of labor, it said.

* * *

In a period of three weeks the House Ways and Means Committee has tentatively voted excise levy reductions amounting to $1,065,000,000 annually. To offset in part this loss in revenue, new taxes totaling between $420,000,000 and $930,000,000 yearly must be raised. It is reported that the House group appears almost certain to favor tax law changes which would yield in new revenue the lesser amount.

These new funds would be obtained from the following three principal sources—insurance company income, closing of tax loopholes, and a withholding tax on corporate dividends. It is further reported that Committee members say an increase in the tax rate on corporate income to 40%, from the present 38% level, also is likely. Such a tax boost, it is pointed out, would yield another $510,000,000.

* * *

New business charters issued during March rose sharply to 9,180, from 7,736 in February, a gain of 18.7%, according to Dun & Bradstreet, Inc. Numerically, this was the largest for any previous month since April, 1948, with 9,223 incorporations. The March total of 9,180 was 20.2% greater than the 7,637 of March a year ago; all but seven states participated in the rise.

Stock company organizations for the first quarter of 1950 reached a total of 25,986, marking an increase of 18.6% as compared with the 21,905 corporate formations during the same period of last year, but it was 7.9% less than the 28,219 recorded during the first three months of 1948. Only four states reported fewer incorporations than last year during the quarterly period.

STEEL OUTPUT HOLDS ABOVE 100% OF CAPACITY FOR FOURTH CONSECUTIVE WEEK

New production records are becoming commonplace in the steel industry, according to "The Iron Age," national metalworking weekly, in its current summary of the steel trade. Every day that operations continue above 100% of rated capacity means that an old record has been wiped out and a new record established. This week the industry is scheduled to operate at 100.5% of rated capacity, making the third week at this torrid pace.

But record-breaking production will not enable steel supply to catch up with demand within a week, or a month. It is too far behind, and the best guess now is that it won't catch up until late this year — and then maybe only for a brief period, the magazine notes.

Realists in the market, it adds, keep insisting that very little manufacturing is actually being held up for lack of steel. And reports from consumers generally bear this out, despite a few cases which have been noted to the contrary.

Production is the biggest job facing the steel industry this week. Steel people know this, and they are pulling out all stops in their race to catch up with demand. Although they face a formidable carryover problem, they are doing a good job of main-

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Blough Named Member Of President Truman's Economic Advisory B'd

President also makes Leon H. Keyserling permanent Chairman, and advances John D. Clark to Vice-Chairman.

President Truman has nominated Dr. Roy Blough, Professor of Economics at Chicago University and formerly tax research expert of the Treasury Department, as a member of the three-man Council of Economic Advisers. The vacancy in the Council, caused by the resignation of its former Chairman, Dr. Edwin G. Nourse, has existed since Nov. 1 of last year, the effective date of Dr. Nourse's resignation.


Roy Blough

The President, in filling the Council's vacancy, announced that Leon H. Keyserling, who has been Acting Chairman, would be made Chairman of the Council, and that Dr. John D. Clark, who has been a member of the Council since its organization, will be advanced to the position of permanent Vice-Chairman.

Dr. Blough, who is 48 years old, has been professor of economics and political science at the University of Chicago since October, 1949. Previously he had been on the faculty of the University of Cincinnati and Columbia University. From 1938 to 1946, Dr. Blough was director of tax research in the Treasury Department and from 1944 to 1946 he served as assistant to the Treasury Secretary.

Women's Fin. Forum To Hold Meeting

CHICAGO, Ill.—The May meeting of the Women's Finance Forum of America will be held Monday, May 15, at 7:00 p.m. in the quarters of Thomson & McKinnon, 231 South La Salle Street (Room 700). James A. Prindiville, Alfred W. Mansfield, Jr. and William E. Ferguson, partners of the firm, will be hosts.

The subject of the meeting is "Economic Trends," and Austin Kiplinger, of the Chicago "Journal of Commerce," will be principal speaker. Panel members will be George B. Deacon, Robert B. Godrey, John F. Moore, Andrew C. Sorville, Herbert A. Ring, Carl X. Blomberg, all associates of Thomson & McKinnon.

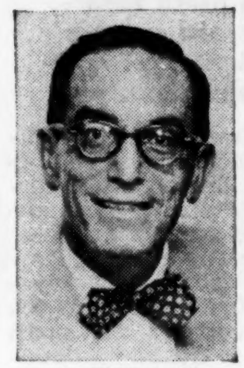
Lorraine L. Blair, executive director of the Women's Finance Forum, will be chairman.

Observations . . .

By A. WILFRED MAY

The Mutual Funds Midst a Future Depression

The continuing phenomenal growth of the open-end mutual funds, on top of their quadrupling of their net assets to the $2 billion total during the past decade, quite understandably is arousing growing misgivings over the possible repercussions during a future depression. Not only the vulnerability of the open-end trusts themselves, but also the effect on the stock market in general and on the national economy, from their holders' potential concentrated use of their cash-in privilege, is occasioning considerable worry by outside observers.


A. Wilfred May

(The mandatory redemption feature imposes on the open-end companies the obligation to redeem their shares on the demand of their stockholders at a price equivalent to the asset or break-down value of these shares, based in turn on the market value of the underlying assets, in some cases less a small redemption fee.)

Typical of the public alarm on the part of the public is the following communication from a reader:

DEAR MR. MAY:

The "Chronicle's" interesting and excellent quarterly feature—Mr. Henry A. Long's review of investment company operations—reminds me that you have not of late favored them with your attention in your column. A reading of Mr. Long's review covering the last quarter of 1949 brings some troublesome thoughts; thoughts that may prove of interest to your readers and a basis for discussion when you again get around to writing about the trusts in "Observations."

I think I have an acceptable premise in stating that a goodly proportion of the vast amount of money being poured into mutual funds comes from relatively uninformed investors. Your own recent interview with Mr. Ruml supports that idea. At a course on investment this past season I heard a man give a talk on mutual funds; a man who e evident youthfulness obviously precluded any lengthy experience in the financial field but whose exceptional success in selling had advanced him to the head of the mutual funds department of one of the larger Wall Street brokerage houses. During his enthusiastic discourse he mentioned more than once that you can get your money back from mutual funds at any time you so desire. The fact that you'd get back your share of the asset value less the load and that if the market declined, you'd have capital shrinkage wasn't even hinted at. Very few successful salesmen stress the undesirable features of their product. So that it seems to me very possible that many, many holders of mutual funds are serenely confident that their shares will increase in value or at worst the skill and possible second sight of the particular management will preclude loss.

Implications of a Vulnerable Situation

The funds, particularly the stock funds, are more and more feeling it necessary to be fully invested both from the need of income from new cash and the desire to keep up their competitive position in the field. The figures bear out this statement. Also we see announcements of new trusts being formed quite frequently. At the present historically high market levels one wonders just a bit. **What will happen if present forces at work do engender a depression (not necessarily of the 1929-32 variety—1937-38 would be enough)? Would the new investors holding mutual funds sit back and take it or would there be a run on the bank? If any sizable number of holders decided they wanted cash, the fund managements would be forced to sell stock as I see it. The thought of that type of selling coming into a declining market is scarcely reassuring. Even though good stocks can be bought to return 5 to 6% or better, if the above qualms have validity one would probably decide against putting surplus funds in equities. Further if the situation is possible, and a chain reaction set in, the blow to the country's economy just doesn't bear thinking about.**

If memory serves me correctly the SEC has made studies of several severe declines. Is there anything in the studies relative to the part that may have been played by the trusts in these declines? Further, if my contention is reasonable, is there anything on record to show that fund management has faced the

Continued on page 16

Current Money Market Problems and Policies

By WOODLIEF THOMAS*
Economic Adviser, Federal Reserve System

Federal Reserve economist, in recounting changes in banking resulting from the war, indicates two major fears have been removed: (1) fear of uncontrolled postwar inflation; and (2) fear of economic collapse. Points out during 1949 Federal Reserve Open-Market Committee shifted from a policy of rigid interest rates to one of increased flexibility. Stresses caution in expanding bank credit because of renewal of deficit financing and heavy municipal and corporate financing, and contends present task of Federal Reserve is to moderate interest rate fluctuations through flexible open market operations.

Banking must be a most interesting profession these days. Banks have a greatly increased volume of funds to handle—total deposits and assets are something like three times the prewar maximum, with a larger growth at country banks. The importance of New York City in the banking structure has been considerably reduced.

Woodlief Thomas

Banks have changed the nature and increased the variety of their assets. A generation ago a large part of bank assets consisted of loans made to local customers, principally farmers and businesses; relatively small amounts were invested in securities; and secondary reserves or temporarily excess funds were sent to city correspondents to be kept on deposit or loaned on the money market.

Nowadays banks are active in finding new sources for lending. They have learned that loans made to individuals secured by mortgages or consumer durable goods and repayable in instalments are not only a lucrative source of earnings but also very safe assets, at elast for the individual bank, although not always for the general economy. Banks are taking a great interest in aiding farmers to improve their techniques of production and of borrowing. There is also much discussion of possible ways for making funds more readily available to small businesses—a particularly important field for banks because most of the customers of the 14,000 banks of the country are small businesses, as are the banks themselves.

Partly because of the great growth in their deposits, as well as because of the limited amount of loans available, securities have become much more important for banks. While corporate bonds have comprised but a small and diminishing part of bank assets, the available supply of such securities is again increasing. State and local governments are finding it necessary to borrow increasing amounts and banks are active participants in the market for such issues.

Increased Importance of Government Securities to Banks

The most important shift, however, in banking operations has been the tremendous growth in the volume of government securities held by banks and the role occupied by these securities in the money market generally. Federal Government securities not only supply an important source of investment for bank funds, they also provide the secondary reserves of the banking system, replacing the call money market and, to some extent, the use of balances with correspondents. A large portion of the banks make adjustments in their reserve positions by shifting their holdings of government securities, i.e., they buy securities when they hace excess funds and sell securities when short of reserves. As a result nearly all banks have a greatly increased interest in the government securities market. It follows that they also have a great interest in Federal Reserve policies, which perforce have a profound and continuous effect upon the market for government securities.

The enhanced importance of the public debt in banking and in monetary policy may be indicated by a few figures showing changes in the past 20 years. The Federal Government debt increased from less than $20 billion in 1929 to $50 billion in 1939 and to over $250 billion at the present. This debt is now as large as the annual value of the total national product, whereas in 1929 it was less than a fifth and in 1939 little over a half of the gross national product in those years. The Federal Government debt, excluding that part held by government agencies, is now about half of all public and private debt, whereas in 1929 it was about one-twelfth of the total and in 1939 less than a quarter. United States Government securities now comprise more than half of all earning assets of commercial banks, compared with a tenth in 1929 and with two-fifths in 1939. Individuals and businesses hold about $130 billion of government securities, eight times the prewar maximum, and these securities under our present monetary system can be readily converted into money. They thus supplement the $170 billion in deposits and currency outstanding, which is about three times the prewar volume.

Changed Nature of Federal Reserve Operations

The Federal Reserve has played a most important part in financing the expansion of the public debt and in influencing its distribution among the various types of holders. The earning assets of the Federal Reserve banks are nearly all government securities, and the operations of the System Open Market Account in the market are large and continuous. It follows that the impact of Federal Reserve policies on the money and banking system operates largely through the government securities market.

The role of the Federal Reserve in the moneary system is not fully understood by the general public, nor even by bankers. It is often said—and probably more often thought — that Federal Reserve banks use money deposited with them by member banks to buy government securities. It is necessary for a full understanding of the operation of our monetary system to realize that this is not the case. In fact the reverse is more nearly the truth, i.e., the Federal Reserve banks supply commercial banks with the funds that provide the basis for expansion in bank loans and investments.

The principal function of the Federal Reserve is to create the bank reserves needed to meet the monetary requirements of the economy and to absorb any excessive amount of reserves that might be an unstabilizing influence. The process of credit creation is a somewhat involved one and any attempted explanation is an oversimplification. Suffice it to say that in general although individual banks obtain their funds for lending or investment or for meeting the withdrawals of their customers in a variety of ways, there can be no increase in the over-all supply of bank credit without increases in the total of deposits and currency, which necessitate either more reserves or a drain on reserves. These additional reserve needs cannot be met without an increase in Federal Reserve credit (or an inflow of gold). The great wartime expansion in bank holdings of government securities, with the consequent growth in bank deposits and reserve needs, accompanying an exceptional increase of currency in circulation, would not have been possible if the Federal Reserve had not bought government securities to supply the reserve funds which were the basis of the expansion.

The growth of the public debt, the pervasive distribution of its holdings among various types of investors, and particularly the use of government securities as liquid investments which can be readily converted into cash have changed and enlarged the problems and responsibilities of the Federal Reserve. Nonbank holders of securities, by selling them to banks, can obtain bank deposits. Banks and other holders, by selling securities to the Federal Reserve banks, can thereby create additional bank reserves, which may provide the basis for a manifold further expansion in bank credit and bank deposits. Even without involving the banking system, the shifting of securities from one nonbank holder to another can make idle funds in the hands of one holder available for use by another, thereby increasing the turnover of existing money. For these reasons government securities are almost the same as money.

The policies of the Federal Reserve in buying or selling securities or refraining from buying or selling them in response to de-

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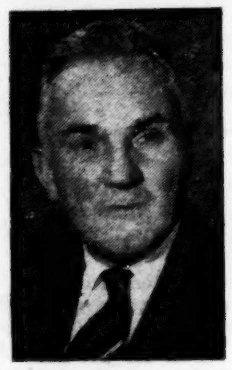
*An address by Mr. Thomas before the Pacific Northwest Conference on Banking, Pullman, Wash., April 6, 1950.

From Washington Ahead of the News

By CARLISLE BARGERON

For the past couple of weeks, since the case of young Remington in the Commerce Department was revived in connection with his alleged Communist sympathies, I have read in innumerable newspaper accounts the flat statement that when he was under fire a year or so ago, he sued his accuser, Miss Bentley, the self-avowed former Communist, and that he received $10,000 in an out of court settlement. The plain intimation, repeated over and over in these newspaper accounts, was that Miss Bentley made this settlement. Now a statement by her attorney reveals that the settlement was made by the broadcasting company and the sponsor of the particular radio program on which Miss Bentley repeated statements she had previously made before Congressional committees. And the settlement was made over the vigorous protests of Miss Bentley, according to her attorney.



Carlisle Bargeron

The question arises as to whether the editor of a single paper that repeatedly reported the intimation that it was Miss Bentley who made the settlement will now call in the reported or the columnist and ask him for an accounting.

There is not the slightest doubt about the purpose of the stories. Young Remington, who at the age of 32 receives $10,000 a year in the Commerce Department, who received this salary before he was 30, was suspended when he was first under fire. He carried his case to the top loyalty reviewing board, created as the "Supreme Court" in the machinery set-up to rid the government of subversives. After several months this board gave him a clean bill of health. He was restored to duty and received back pay for the time he had been suspended. Now his case has been revived on the basis of new evidence by the House un-American Activities Committee. If it stands up the loyalty board will have been made to look pretty silly just at a time when serious doubts are being felt about its effectiveness in Congress and elsewhere. It will come right at a time when the board is taking somewhat of a pummeling from Senator McCarthy. It follows that the Senator's detractors and smearers would be considerably embarrassed, though they are not of the type to be easily embarrassed.

So the purpose of the repeated statements to the effect that Miss Bentley had paid for her set-to with Remington is manifest. It was to becloud the current work of the House un-American Activities Committee. Undoubtedly not all of the reporters who accepted the statement about Miss Bentley were wittingly playing the Leftist game, probably just careless. Yet it struck me as strange that not one of the stories which I read sought to make it clear as to who paid Remington in the out of court settlement. They were all so worded that I am sure I would not have had the slightest suspicion had I not wondered where she got $10,000 with which to effect a settlement.

In spite of this sort of stuff which occurs in our most respectable newspapers practically every day, there continues the editorial hue and cry from perfectly conservative editors, editors who are bitterly opposed to the Truman Fair Deal gang, that the charges of Communists and Communist sympathizers in the government should be hushed up because it is destroying our leadership in world affairs. You naturally expect this type of campaign from the Leftists but they have unmistakably sold it to some of our better editors. We despise the Administration as much as anybody, they say, and if the country doesn't get rid of it the country will be ruined. But politics must be stopped at the water's edge.

It is just about the darndest rot I have ever heard. Ever since the war and before that, the Republicans have been under a steady hammering of their professed friends not to use their two strongest issues: The worst mismanagement of our foreign affairs that we have ever experienced, and the collateral issue, the infiltration of Communists and Commie sympathizers in the government, in hordes during wartime, that had to do with that mismanagement. Yes, it is undoubtedly a rotten shame, say these professed friends to the Republicans, that this mismanagement caused us to fight a war to replace Hitler in Europe with Stalin and Japan in Asia with the same man. But it is just something we have got to write off and forget about. Because to talk about it now will destroy our world leadership and I suppose that by destroying our world leadership, it is meant our freedom to continue to give our dollars to the world. We must go right ahead with the rottenness at home rather than risk upsetting this delightful scheme of things.

There is France, we are told. It is saturated with Communists. But there are some noble souls over there who are struggling valiantly to keep France on the side of Democracy. Well, it just tears them to pieces to read Republican charges there are Communists in our own government. They think maybe we are double-crossing them. This simplification is just too good for words.

Oh, the propaganda goes much farther than this. We must not only continue to tolerate the situation but we must adopt such "reforms" as the FEPC because the Polish, the Bulgarians, the Czechoslovakians, the Chinese, all those folk we are trying to wean over to the side of freedom-loving Democrats, won't understand us.

If the Republicans want some real good advice, it is that they cease paying any attention to the psalm singers and shushers whether they be professed friends or out and out Leftists with a stiletto in their hands.

With Davies & Mejia

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jack J. Underwood is with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges.

With Marache Sims Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Simon Abeloff is with Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

CORRECTION

Misprint in Mr. W. Truslow Hyde's article on utilities in "Chronicle" of May 4, gave erroneous impression of author's views.

In the article appearing on page 8 of the May 4 "Chronicle," entitled "Another Look at the Utilities" by W. Truslow Hyde, Jr., Public Utility Analyst, Josephthal & Co., New York City, the insertion of the word "not" by the printer (on page 8, column 5) gave an altogether erroneous view of the author's statement. Mr. Hyde in speaking of the stability of earnings as one of the investment factors of utilities actually said: "At the present time utility dividends are considered inviolate and utility stocks are universally accepted as suitable for secure income. I believe that this psychology will continue for some time and that the market for utility stocks will be determined by the yields which they afford. Whether that will decline to 4% is a matter of supply and demand of capital available for this type of investment, but I do believe that those who buy utility common stocks because of the stability of earnings will be disappointed when they are put to the acid test."

W. T. Hyde, Jr

Morgan & Company In New Quarters

LOS ANGELES, Calif.—Morgan & Co., members of the Los Angeles Stock Exchange, announce the removal of their main office from the sixth floor to the entire top floor of the Banks-Huntley Bldg., 634 South Spring Street. There is no change in address or telephone number.

A cocktail party was given by the firm on May 8 in honor of the opening of the new offices which was attended by more than 250 guests from the Los Angeles financial district.

Two With Cruttenden

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert H. Bastert and Merritt C. Holman have become affiliated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Branch Banking Builds an Empire in the West—Illustrated brochure on **Bank of America N T & S A**—First California Co., 300 Montgomery Street, San Francisco 4, Calif.

Final Phase? — Bulletin discussing whether present market is last chance to sell before a stock market reversal, with 33 special hedge recommendations—special trial offer of current bulletin and next 4 weekly issues for $1—Bondex, Incorporated, 654 Madison Avenue, New York 21, N. Y.

Free Competitive Enterprise at Stake: Treasury Debt Management and Federal Reserve Credit Policy —Aubrey G. Lanston & Co., Inc., 15 Broad Street, New York 5, N. Y.

Legal in Massachusetts—Bulletin on 12 New York City bank stocks now legal for Savings Bank investment in the State of Massachusetts — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the thirty listed industrial stocks used in the Dow-Jones Averages and the thirty-five over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an eleven-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Securities Outlook for the Investor and Business Executive — Brochure—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Also available are analyses of **American Gas & Electric, Barnsdall Oil Co., Chesapeake & Ohio Railway, Consolidated Natural Gas, Eaton Manufacturing Co., Erie Railroad Co., Grocery Chains, International Nickel Co. of Canada, S. H. Kress & Co., McGraw Electric Co., National Lead Co., Pullman, Inc., Shell Oil Co., Sterling Drug, Inc., and Western Auto Supply.**

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Allen B. Dumont Laboratories, Inc.—Analysis—Floyd A. Allen & Co., Inc., 650 South Grand Avenue, Los Angeles 14, Calif.

Associated Transport, Inc. — Memorandum — Homer O'Connell & Co., Inc., 25 Broad Street, New York 4, N. Y.

Bank of America, N. T. S. A.—Descriptive card—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Celanese Corp.—Circular—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available are circulars on **Home Insurance Co., MacFadden Publications, and Safety Car Heating & Lighting Co.**

Christiana Securities Co.—Circular—Francis I du Pont & Co., 1 Wall Street, New York 5, N. Y.

General Reinsurance Corporation—Analysis—The First Boston Corp., 100 Broadway, New York 5, N. Y.

Govt. Employees Insurance — Report — Peter P. McDermott & Co., 44 Wall St., New York 5, N. Y.

Great Northern Railway—Memorandum—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Industrial Brownhoist Corporation—New analysis—Gottron, Russell & Co., Union Commerce Bldg., Cleveland 14, Ohio.

Mexican Railways — Analysis— Zippin & Co., 208 South La Salle Street, Chicago 4, Ill.

Michaels Brothers, Inc.—Analysis—R. H. Johnson & Co., 64 Wall Street, New York 5, N. Y.

Northern New England Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Northern Pacific Railway — Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a memorandum on **Chicago & Eastern Illinois Railroad Co.** and a leaflet of **Railroad Developments of the Week.**

Packard Beel Co. — Circular — Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Preferred Accident Insurance Company of New York—Analysis —White & Co., Mississippi Valley Trust Building, St. Louis 1, Mo.

Pure Oil Company—analysis— Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Riverside Cement Co.—New analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Also available is a brief review of the **Cement Industry.**

Rockwell Manufacturing Co. — Bulletin—Boenning & Co., 1606 Walnut Street, Philadelphia 3, Pa.

Saco-Lowell Shops—Memorandum—Chas. A. Day & Co., Inc., 199 Washington Street, Boston 8, Mass.

Sharon Steel Corp.—Circular— Herzfeld & Stern, 30 Broad Street, New York 4, N. Y

Studebaker Corp. — Circular — Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Toledo Edison Company—Analysis—Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y.

U. S. Thermo Control—Analysis —Raymond & Co., 148 State Street, Boston 9, Mass.

Van Raalte Co.—Circular—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Walt Disney Productions—Analysis—Batkin & Co., 30 Broad Street, New York 4, N. Y.

Abraham Strauss Joins Joseph Faroll & Co.

Joseph Faroll & Co., 29 Broadway, New York City, members of principal stock and commodity exchanges, announce today, May 11, that Abraham Strauss, formerly President of Strauss Bros., Inc., will become associated with the firm on May 15 as Manager of its trading department. Originally with Logan & Bryan for 11 years, Mr. Strauss and his brother formed their own firm in 1933 to deal in over-the-counter securities with offices in New York and Chicago.

Abraham Strauss

NSTA Notes

AD LIBBING

Orville C. Neely, Merrill Lynch, Pierce, Fenner & Beane, Denver, Colo., represents the Denver Bond Club as affiliate Chairman on the National Advertising Committee. We wish to remind you that last year (1949) Bob Mitton did a remarkable job for the Denver members. Through his efforts our Denver affiliate received from the NSTA the largest share of advertising profits.

We, the National Committee, feel certain that Mr. Neely will keep his local club among the leaders this year, due to his early and ardent interest.

Your committee is very happy to report to you that our National Executive Committee has offered the same deal to all affiliates as last year in the sharing of advertising profits and may we also add that financial and corporation advertising rates are the same.

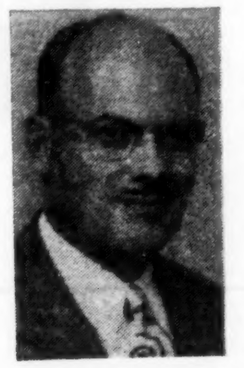
Orville C. Neely

HAROLD B. SMITH, Chairman
Pershing & Co.,
120 Broadway, New York City.

K. I. M.—Corporate ads pay dividends.

PLUGGING HONOLULU FOR 1951

Lawrence Pulliam, Vice-President of Weeden & Co. and manager of their Los Angeles office, has just returned from a two weeks' vacation in the Hawaiian Islands. Larry is most enthusiastically recommending this tropical paradise with its mild days and warm evening, its hula dancers, its native luau (with such native foods as poi, fresh pineapple, and coconut) and its world famous Waikiki Beach as a locale for a National Security Traders Association Convention. Larry argues it's only ten hours from the mainland by air.



Lawrence S. Pulliam

Morgan Stanley & W. E. Hutton Group Underwrite Dayton Power Stk.

Dayton Power & Light Co. is offering 283,333 shares of common stock ($7 par value) to its common stockholders at $30 per share at the rate of one share for each seven shares held of record at the close of business on May 10, 1950. Morgan Stanley & Co. and W. E. Hutton & Co. and associated underwriters will purchase any unsubscribed shares following termination of the subscription offer at 3 p.m. (EDT) on May 31, 1950.

Net proceeds of the sale will be used to repay the company's bank loans which have been used for construction purposes and which were outstanding in the amount of $3,100,000 on March 31, 1950, and to provide a portion of the estimated $16,285,100 which is to be spent on the company's construction program during the remainder of 1950.

The estimated cost of the company's construction program, which was started in 1946 and will carry through 1952, will aggregate approximately $94,300,000 including acquisition of certain additional properties in 1948. Of this sum, $61,516,400 had been expended up to March 31, 1950.

Dillon, Read Group Underwrite Potomac Electric Pow. Offering

Dillon, Read & Co. Inc. is heading a group of Washington dealers who are underwriting the offering by Potomac Electric Power Co. to its common stockholders of an additional 710,700 shares of common stock. The company is offering the new stock for subscription at $14.50 per share at the rate of one share for each five shares held of record on May 9, 1950. The subscription warrants will expire on May 25, 1950.

Proceeds from the sale of the new common stock and from the sale of $30,000,000 of new first mortgage bonds will be used to redeem the outstanding $20,000,000 principal amount of first mortgage 3¼% bonds due 1966 and to pay off $11,000,000 of bank loans. The balance of the proceeds together with other company funds will be used for meeting the company's remaining construction expenditures during 1950. Total construction expenditures for 1950 are estimated to amount to approximately $17,000,000, which includes completion of an 80,000 kilowatt turbine at the company's Potomac River plant.

Halsey, Stuart Group Offers Seaboard Bonds

Halsey, Stuart & Co. Inc. and associates today (May 11) are offering $30,000,000 Seaboard Air Line RR. Co. first mortgage 3% bonds, series B, dated May 1, 1950, and due May 1, 1980, at 99⅜% and accrued interest, subject to authorization by the Interstate Commerce Commission. The group was awarded the bonds yesterday on its bid of 98.5799.

The net proceeds, together with other funds, will be used to redeem the outstanding $31,534,500 4% first mortgage bonds, series A, due Jan. 1, 1996, at 100 and interest.

With First of Michigan

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Frederick H. Duffield has become associated with the First of Michigan Corporation, Buhl Bldg., members of the Detroit Stock Exchange. In the past he was with Baker, Simonds & Co.

Insurance Stocks in Mid-Passage

By SHELBY CULLOM DAVIS*
Former Deputy Superintendent of Insurance, of the State of New York
Partner, Shelby Cullom Davis & Co., Members New York Stock Exchange

Former official expresses enthusiasm for insurance stocks, pointing to forces working toward higher underwriting profits, safety of income-yield, growth-stock attributes, and high grade of portfolios. Also advocates scrutiny of life company stocks, particularly since "the medical doctors have won out over the money doctors."

I have entitled this paper "Insurance Stocks in Mid-Passage" for the obvious reason that insurance companies no longer are in the troughs of depression but for more than twenty months have enjoyed an unparalleled prosperity. Three years ago, on May 1, 1947, when I retired as Deputy Superintendent of Insurance of the State of New York, some of my Wall Street friends thought that perhaps my tenure of office as a regulatory official had altered my judgment.

Shelby Cullom Davis

Insurance stocks were as popular as public utility holding commons after the Wheeler-Rayburn bill. Gloom was as thick and dark around the corner of William and John in the insurance district as out in western Kansas during a dust storm. The Texas City disaster, greatest in fire insurance history since the San Francisco fire, had occurred only two weeks before.

Lifting of Gloom

During the past three years the gloom has vanished entirely. Three forces have been working on the side of higher underwriting profits: higher rates; the raising of insurance to higher values by assureds all over the country, thus increasing premium income; and improved fire protection both as regards personnel and equipment.

I shall not dwell upon the first two factors, crucial as they are, because I believe they are generally understood. Fire rates began to rise in the spring of 1947, but because the new rates become effective only upon expiration — and also because most of the fire business is term business—it was not until 1948 and particularly 1949 that the full effect of the increase in rates began to be felt. During this same period assureds all over the country began raising their insurance more in keeping with the new costs of bricks and mortar and lumber and particularly labor. Agents, of course, helped this process as they should; but in addition, the volume of new home construction itself caused owners of older homes to be more conscious of the replacement value of their own.

Nor should the improved fire protection since the war be underemphasized. There is a great deal of what might be called leverage in fire fighting. A piece of modern fire fighting equipment which arrives at a fire three minutes sooner may mean not just three minutes less fire but 50% less loss. All over the country fire fighting equipment and personnel have undergone improvement since the war days when priorities prevented the manufacture of equipment and the armed forces and higher paid civilian jobs drained off fire fighting personnel.

Three years ago it was possible to view insurance stocks—and I am speaking now primarily of fire—as an excellent short, intermediate or long-term investment. They had never enjoyed the substantial rise of other stocks during the great 1942-46 bull market. Their underwriting experience had been mediocre. They were plainly undervalued and forces were at work beneath the surface which would turn the tide.

Turning of Tide

The full fruits of this turning of the tide were witnessed last year when fire insurance companies enjoyed their greatest underwriting profits in history. Because of their practice of writing predominately one year policies and of changing rates to reflect experience at more frequent intervals casualty underwriting became profitable a year before fire.

At the present time I consider the primary attributes of insurance stocks to be their long pull rather than short or intermediate term values. While it is greatly to be hoped that insurance commissioners will allow a continuation of present profit margins for several years to enable the companies to recoup underwriting losses sustained after the war, it also seems probable that aggregate underwriting profits in either fire or casualty as a whole will not increase greatly from here until premium volume takes another important rise. Since premium volume is tending to level off in both fire and casualty lines this year, it seems likely that 1950 underwriting profits, while admirable for the year thus far, will not much exceed, if at all, the splendid showing made in 1949.

What then are the long pull attractions of insurance stocks at the present time? My answer to this question goes back to that fundamental question as to why people buy investment grade stocks in the first place. A brief discussion of these fundamental values in insurance stocks seems therefore in order.

Security and Growth

I believe people buy insurance stocks because of two primary factors: (1) the security or safety of income, which gives insurance stocks much of the attributes of bonds; and (2) their inevitable growth, which gives them the attributes of growth stocks. In this sense they are "growth bonds." Such a hybrid obviously requires explanation.

Security of Dividend

As most of you know, insurance companies pay their dividends only out of investment income. Hence insurance companies are far different than steel companies which pay their dividends out of the operations of the steel business, or railroads which pay their dividends, when as and if, out of the earnings of the railroad business. Heavy investment represented by plant and equipment in steel or ways and structure and rolling stock in railroads is represented in insurance by funds invested in marketable securities. These funds — these marketable securities — are the foundation of the companies' underwriting business without which its insurance business would be impossible. But at the same time they are the foundation of the insurance business, unlike the bricks and mortar or ways and structures of other industries, they themselves throw off income. It is this income which is available for dividends.

Let me take two specific examples in order to illustrate my point: Hartford Fire and Fidelity-Phenix. Hartford is known predominately as a bond holding company whereas Fidelity-Phenix has a greater proportion of its assets than most companies invested in common stocks. Hartford is currently paying a $3.00 annual dividend. This dividend is covered 100% by the interest received from the bonds Hartford holds in its portfolio. What are these bonds? They are more than 95% U. S. Governments. Thus the Hartford dividend is covered almost entirely by U. S. Government bond interest alone and I think you will agree with me that this is a most unusual factor of safety.

Let's analyze still further Hartford's investment income which last year totaled $5.27 per common share. To the $3.00 a common share derived from interest from bond holdings was added $1.21 per common share representing dividends from preferred stock holdings and $1.06 per share representing dividends received from common stock holdings. What were these preferred stocks from which Hartford derived 23% of its investment income? They were the highest grade. The five largest holdings in order of importance—all of them representing commitments of more than one-half million dollars — were: DuPont, Hartford Electric Light, General Motors, Caterpillar and Public Service Electric and Gas. I think you will agree with me that these preferred dividends appear entirely safe.

Added to this was the 17% of investment income which Hartford received from common stocks. Its five largest common stock holdings were: First National of Chicago, DuPont, Guaranty Trust, J. P. Morgan and Standard Oil N. J. You will also agree with me that these are first rank companies. But I think you also must agree with me that the dividend of Hartford Fire is more secure than that of any of these companies because Hartford's dividend is covered entirely by bond interest, mostly U. S. Government.

Safety of Dividends

Fidelity-Phenix now has almost 50% of its assets invested in common stocks. Its $2.20 annual dividend was thus covered only about 63% from bond interest, representing $1.38 per common share. However, approximately three-fourths of Fidelity-Phenix's bond holdings were short-term Governments. It would not be difficult for the company to add an additional $0.50 per share of bond interest simply by lengthening maturities. Another $0.30 per common share was obtained from dividends received from preferred stocks and the balance or $2.36 a share was obtained from dividends received from common stocks. Fidelity-Phenix's five largest common stock holdings were DuPont, I. B. M., Union Carbide, Amerada and Standard Oil N. J. It is hard to find a bluer list of "blue chips." Yet it is interesting to observe that these fine companies could cut their dividends more than 75% and Fidelity-Phenix would still be able to cover its dividend from its bond and preferred stock holdings plus dividends at one-quarter of the current rate on such stocks as DuPont, I. B. M. and so on.

This represents an unusual factor of security of dividend, and I think you will agree that the Fidelity-Phenix dividend, as well as the Hartford Fire dividend (and using these two companies purely as examples) should be worth more to the buyer because of their intrinsic security than the dividend of the companies, such as DuPont and I. B. M., comprising their portfolios. It is this unusual factor of safety for insurance company dividends that places them quite apart, in my opinion, from other common stocks.

If I may make one further comment on these two stocks at present market which may interest you as investment analysts. Hartford Fire is selling to yield approximately 2½% and Fidelity-Phenix to yield close to 4%. Thus Fidelity-Phenix returns nearly 60% more at present prices than Hartford. Yet Hartford's dividend is covered 1.75 times by investment income compared with 1.83 times for Fidelity-Phenix. Both stocks, as I shall show later, have approximately the same growth characteristics. Why then the discrepancy in yield? In my opinion, it is because many investors value Hartford's 100% coverage of dividends by bond interest alone. This enables them to compare Hartford with high grade bonds in their portfolios since the Hart-

Continued on page 35

*An address delivered before a luncheon of the Financial Analysts Society of Philadelphia at the John Bartrum Hotel, April 27, 1950.

Detroit Exchange Gives NASD Discount

DETROIT, Mich.—Members of the National Association of Securities Dealers, Inc., can now transact listed business on the Detroit Stock Exchange at a reduced rate of 50% of regular commissions. The plan just announced by the Detroit Stock Exchange takes effect immediately and permits Detroit members to execute orders for the NASD on this preferential basis.

"With the stocks of more than 200 national corporations, representing almost every line of industry, listed in Detroit, we believe that the several thousand members of the National Association of Securities Dealers will appreciate the possibilities this plan offers," George A. McDowell, Detroit Stock Exchange President, stated in making the announcement, "and the Detroit Exchange is well equipped to service the Association's requirements."

With Wagenseller Durst

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Irvin H. Rudolph has become associated with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with Dean Witter & Co.

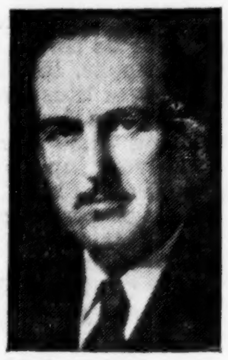
A Resumption of the Postwar Inflationary Boom

By D. W. MICHENER*

Director of Research, The Chase National Bank, New York City

Asserting current business activity, together with government economic policies, points to resumption of postwar inflationary boom, bank economist calls attention to prevailing unparalleled credit expansion. Sees inflationary dangers in low interest rates; the trend toward still greater government expenditures to support agricultural prices and building construction; and steadily rising public and private debts.

The expansion of credit in this country, with the developments related thereto, has probably been the greatest economic change of the present generation. The expansion and maintenance of this extraordinary amount of credit has been due primarily to the demands of the government in meeting wartime emergencies, and to postwar policies which have kept interest rates artificially low and total government expenditures far above previous peace-time levels.



D. W. Michener

The total strength of business activity, together with present government policies, make it more obvious that last year's decline in business was only a temporary one, and that the trend is now toward a resumption of the postwar inflationary boom.

In many respects, the present situation is without parallel in other periods of credit expansion in this country. In the first place, credit stringencies are usually appearing at about this point in the business cycle, after so many months of boom-time expansion. But credit stringencies are conspicuously absent at the present time, due to continued "easy money" policies which have kept interest rates artificially low, despite the fact that credit expansion has gone to a height never before experienced.

In the second place, after so many months of boom-time conditions, agricultural prices have usually reached a period of decline as a result of expanded production. But agricultural prices are not breaking, despite huge surpluses, at the present time because of the government supports applied. And, what is more important, these supports are not being withdrawn; rather, the trend is toward greater government expenditures directed toward keeping agricultural prices above the levels which market conditions would determine.

Third, at this point in the business cycle, exports might be expected to be turning sharply downward as domestic prices have risen and foreign buyers find purchases more difficult to make. However, under present circumstances, our exports are strongly supported by foreign aid, which apparently is to be continued through 1950 and 1951.

Fourth, the supply of funds available for the construction of housing might be expected to be running low because of the extraordinarily high volume of building which has taken place since the war. However, funds available for the expansion of housing are not running short at the present time because the Federal Government continues to make increasing amounts of funds available for this purpose. The $3½ billion of additional government aid to housing, provided within the past month, demonstrates this policy.

Fifth, at this point in the business cycle, the debt burden being carried by individuals and by business has usually become heavy after a long period of credit expansion, so that additional debt could hardly be shouldered. At the present time, it is true that total debt in this country, including public and private, has reached a new record high point of one-half trillion dollars. It is to be observed, however, that much more than half of this total is the debt of Federal, State and local governments. The immediate burden of this debt, and the responsibility for servicing it, are not resting upon the shoulders of individual citizens, as has always been true before. As a matter of fact, the individual, on the average, has more spendable funds at his disposal now than ever before, and business firms are liquid. Thus, debt, even though extraordinarily large at the present time, is not a strong retarding influence either upon further business expansion or consumer buying.

Inflation Danger Not Passed

Therefore, we should not be too quick in concluding that the danger of inflation is past. Currencies in major countries are not on a solid base. Some thirty countries have devalued their currencies within the past seven months. Almost all countries are experiencing difficulty in balancing their budgets.

In our own country, we have not only dropped previous plans for debt retirement, but now our Federal debt is actually increasing, despite the fact that general business activity is close to the peak level of all time. In fact, there appears to be growing lack of concern for inflationary possibilities. The truth is easily demonstrated that in boom times, it is wise to get out of debt. Nevertheless, despite the present high level of business activity, the Federal Government, State and local governments, home purchasers and consumers are all showing a willingness to go deeper into debt. This suggests that the present boom may be moving into a more mature stage, and one of greater danger. It suggests that our defense against increased inflation is not as strong as our financial position would justify, nor as strong as our best interests would demand.

*Abstract of an address by Mr. Michener before the National Association of Waste Material Dealers, New York City, May 4, 1950.

Mitchum, Tully Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Alexander C. McGilvry has been added to the staff of Mitchum, Tully & Co., 650 South Spring Street.

With Oechsel, Mudge

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Henry G. S. Wallace, Jr. has become connected with Oechsel, Mudge & Co., 210 West Seventh Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

The recent enactment of New York State's "prudent man" investment statute and the passage by the Massachusetts State Legislature of a law that will permit the savings banks of that state to purchase the capital stock of certain banks outside of Massachusetts have favorable implications for broadening the market of New York City bank shares.

The New York State law was signed by Governor Dewey last April 5 and will become effective next July 1. Under this statute, trustees and other fiduciaries may, but need not necessarily, be bound to the requirements of the legal list. The legislation permits them to invest up to 35% of the value of the trust in "ineligible" bonds, listed preferred stocks and common stocks. In other words, it makes a portion—35% of the trust outside of the legal list—subject to the general rule of prudence.

The thought has been that as trust men survey the available investments within the common stock field they will select those of highest quality. Because of their investment standing banks would surely be one of the groups to receive first consideration.

While no rush to buy bank shares by trustees is expected, the long-range implications are favorable for a greater interest in these investments as a result of this law. A number of other states have also adopted the "prudent man" rule or a modified form of it, in regard to trustee investments. Where common stock purchases are permitted, bank stocks are likely to be one of the favored investments.

Of possibly more significance so far as New York City bank stocks are concerned was the law recently passed in Massachusetts. This law broadens the field of available investments of Massachusetts savings banks by permitting them to buy the stocks of out-of-state banks which meet certain specified standards.

These qualifications include membership in the Federal Reserve System; the bank must not have preferred stock outstanding; combined capital stock, surplus and undivided profits should be equal to at least $40,000,000 and in addition equal to a minimum of 6% of the bank's total deposit liability at the end of the calendar year preceding the date of purchase; during the past 10 years there should have been no reductions in aggregate par value of the shares and there must have been cash dividends paid during the same period at a minimum annual rate of 4% on the par value of the shares.

According to an official of the Savings Bank Association of Massachusetts, there are 15 out-of-state banks which qualify for savings bank investments at this time. Twelve of these are New York City banks, two are in Chicago and one in Philadelphia.

The list of these banks is presented below together with the number of years the bank has been in existence under its present or predecessor title, the years of unbroken dividend payments, the indicated current payment and the present market bid price.

	Age of Bank Years	Years of Unbroken Dividend Record	Indicated Dividend	Current Price
New York				
Bank of Manhattan	150	102	$1.30	26¾
Bankers Trust	46	46	2.00	48½
Central Hanover	76	75	4.00	102¾
Chase National	72	70	1.60	37⅛
Chemical Bank	126	121	1.80	44¼
Corn Exchange	96	95	3.00	62¾
First National	87	86	80.00	1285
Guaranty Trust	85	57	14.00	311
Irving Trust	98	42	0.90	18⅜
Manufacturers Trust	44	40	2.40	58
National City	137	137	1.80	46⅝
New York Trust	60	55	4.00	93
Chicago				
Continental Illinois	93	14	4.00	92
First National	87	14	8.00	227
Philadelphia				
Philadelphia National	147	106	5.00	105½

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

CENTRAL CITY, Neb.—Lee C. Coolidge is now affiliated with Waddell & Reed, Inc. of Kansas City.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — William Peet and Aldo D. Pieri are now with Minneapolis Associates, Inc., Rand Tower.

Joins Central Securities

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — James W. Sharpe has become associated with Central Securities Company, First National Bank Building.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

ST. CLOUD, Minn.—Earl Allen and Louis M. Jacobs have become affiliated with King Merritt & Co., Inc., 1616 St. Germain Street.

Does Economic Trend Portend Fall in Savings Bank Deposits?

By DR. MARCUS NADLER*
Professor of Finance, New York University

Dr. Nadler discusses role of savings banks in the light of new developments such as increased competition of other savings and investment institutions and the effects of broadened social security. Defends principles of thrift, and urges savings institutions combat inflationary trends and keep in touch with political atmosphere. Sees in growth of savings institutions greater responsibilities of trustees in influencing business activity and expansion.

The mutual savings banks of the United States are facing new problems. In view of increased competition from other institutions offering a higher return, broadened economic security provisions, and a high level of commodity prices, the question naturally arises as to what the future may hold in store for the savings banks.


Dr. Marcus Nadler

It is often stated that mutual savings banks will suffer more and more from increased competition from other institutions endeavoring to attract the funds of small savers. This competition comes partly from savings and loan associations paying a higher rate of return. It comes also from open-end investment trusts, which not only promise a higher rate of return but also greater diversification and appreciation and make a strong appeal to people, even in the smaller income groups, who are seeking a hedge against inflation. In addition, it is stated that, because of the widespread fear of inflation, many individuals will prefer to invest their savings in equities in order to obtain the high rate of dividends and to hedge against inflation.

It is also often pointed out that broadened social security benefits are likely to affect the spending and saving habits of the people. With more and more Americans protected against old age, unemployment, sickness and other contingencies of life, it is argued, the individual will save less and spend more. Moreover, it is stated that such a development is desirable because it will raise the demand for commodities and the level of business activity. Not only are mutual savings banks faced with stronger competition, the argument runs, but they will also be confronted with a serious problem of finding suitable investment outlets for their funds, particularly when building activity tends to decline and capital expenditures by corporations are reduced.

Savings Banks Role Is Vital

An analysis of these fears and predictions indicates that they are not based on fact and that the role of the savings banks in our economy is as vital as ever and is likely to become even more so in the future.

The mutual savings banks have encountered competition in the past from institutions which paid a higher rate of return. In recent years they have also encountered competition from the sale of series E bonds by the Government. Nevertheless, the mutual savings banks have had a notable growth. At the end of 1949 their deposits aggregated $19 billion as compared with $10.5 billion at the end of 1939.

So long as the savings banks provide assurance that funds lodged with them are safe and freely available and can be converted into cash whenever the depositor needs it, and so long as they offer a modest return on savings, there is no danger that their activities will decline because of competition. The higher rate of interest paid by certain institutions does, of course, influence some individuals. The great majority of people, however, are more interested in security and availability of savings. Convenience to depositors also plays an important role. If the experience of the past ten years means anything, therefore, it indicates clearly that so long as the mutual savings banks follow their traditional policy and so long as they remain highly regarded by their depositors, they will continue to grow and their deposits to mount.

Effects of Broadened Economic Security

What effect broadened social and economic security will ultimately have on saving habits is, of course, difficult to foretell. This is a relatively new field in the United States, and so far the amounts involved are comparatively small since they do not embrace many groups in the population. It may be expected, however, that social security will broaden and cover many more millions of employees and self-employed people. It may also be assumed that the benefits will increase. Nevertheless, judging by what has happened in other countries where social security has been in existence for many years, it may be expected that savings will continue to expand.

Thus, for example, an analysis of savings deposits in New Zealand, a nation long known for its highly-developed social security system, reveals that savings deposits have increased constantly. Deposits in the post office savings bank, by far the largest savings institution in that country, rose from nearly 53 million Australian pounds (about $210 million) on March 31, 1936 to £129 million on March 31, 1946, an increase of 143%. Total savings in New Zealand rose from 110 million pounds on March 31, 1936 to 230 million on March 31, 1946, an increase of 109%. During the same period the index of wholesale prices rose by only 68%. This example demonstrates that expanded social and economic security systems do not necessarily interfere with the saving habits of the people.

The effects of inflation on saving habits have also been greatly exaggerated. It cannot be denied, however, that inflation constitutes a great threat not only to those who save and those who invest their funds in fixed-income-bearing securities but also to the savings institutions and the economy of the country as a whole. But while there are inherent inflationary forces operating in the economy, there are also deflationary forces at work and, barring major catastrophes such as war, the chances are that from now on the increase in commodity prices and the cost of living will be slow.

The principal source of inflation at present is the deficit of the Federal Government and the possibility that the deficits may continue indefinitely. Serious as this situation is, it should not be overrated. In the first place, if the Federal deficits are met through the sale of obligations to non-bank investors they are not inflationary. Moreover, there are reasons to believe that the deficits will constitute only a relatively small fraction of the total national product.

A potentially greater threat of inflation arises from the constant increase in the cost of production, notably labor costs. Unless this is accompanied by a corresponding rise in the productivity of labor, it is bound to lead to higher prices and have an adverse effect on those whose income does not keep pace with the increase in the cost of living. This fact, however, also contains an element of deflation, because it makes the economy more rigid and brittle. If production costs cannot be reduced, a decline in demand for a given commodity initially leads to a decline in prices and profits. When prices can no longer be lowered, however, the result is a reduction of operations and, hence, increased unemployment. Moreover, the productive capacity has increased materially, and in the near future the real problem confronting the United States will not be inflation but rather that of finding employment for the increased labor force.

Irrespective of the trend of commodity prices, however, it does not necessarily follow that a decline in the purchasing power of the currency adversely affects the saving habits of the people. This was demonstrated in Italy, a country which has suffered greatly from inflation during the past few years. The index of wholesale prices in Italy (with 1938=100) stood at 4,837 at the end of October, 1949. Nevertheless, savings have increased materially during the past decade. Savings deposits and interest-bearing bonds issued by the postal savings bank, by far the largest savings institution in the country, rose from 29 billion lire in 1938 to 416 billion in March, 1949, a 14-fold increase. Time deposits with banks at the end of 1938 amounted to 38.6 billion lire and in October, 1949, to 960 billion, an increase of 25 times. The different rate of growth in the two classes of deposits is due to the fact that the depositors of the savings banks are people in the lower income groups which have been so impoverished that in order to maintain themselves they are spending not only their current income but also part of their savings. Nevertheless, these figures clearly indicate that despite the inflation which has ravaged Italy during the last 10 years, the savings of the people have grown.

Because inflation does not greatly interfere with savings habits, and savings institutions, being merely under the obligation to repay deposits in legal tender currency, are in no way responsible for the purchasing power of the currency, this does not mean that they have no responsibility in fighting inflation. As the custodians of the people's savings, the managements of savings institutions, such as mutual savings banks, life insurance companies and savings and loan associations, have a definite responsibility to utilize all the means at their disposal to fight the forces of inflation. It is their duty to point out to their customers, who embrace the greater part of the country's population, the sources and the dangers of inflation. It is their duty to point out that inflation is actually an invisible tax which falls most heavily on the people who save, and that the principal sources of inflation are the demands on the government by the pressure groups who are always asking more for themselves without caring about the cost to the nation.

From this brief analysis it would appear that neither increased competition, nor broadened social and economic security programs, nor the danger of inflation will interfere with the growth of mutual savings banks.

The Utilization of Savings Deposits

Since savings deposits will continue to grow, the question is raised as to how these funds should be invested. The problems of investment are manifold. They involve the necessity to insure the safety of the funds invested, to obtain a satisfactory return in order to pay a moderate dividend to depositors, to provide a reasonable degree of liquidity, based on the needs and experience of the individual institutions, and, finally, to utilize the funds in a manner giving the maximum economic advantage to the country as a whole.

Safety of funds is the first and most important obligation imposed on the savings banks. The best formula to assure safety seems to be to divide the investments about equally between high-grade bonds and mortgages. Government obligations, particularly long-term, offer an excellent medium of investment for savings banks. High-grade bonds of corporations are also suitable investments if the return is high enough to compensate for the increased risk and the decreased marketability.

Mortgages have always been a favorable medium of investment of savings banks. FHA-insured mortgages may be considered riskless assets if the servicing is properly handled and proper inspection is made of the property before the mortgage is acquired. While they do not enjoy marketability they may be classified in the same category as government obligations. The same cannot be said of conventional mortgages. In these cases the mortgagee must make sure that the valuation is based on economic and not scarcity value. Regular amortization, which constantly increases the equity of the mortgagor, also strengthens the investment.

It should be borne in mind that the housing shortage will not last forever, that building activity has been at a high level during the past few years and that sooner or later the housing shortage will be met. Moreover, consideration must be given to the effect of new properties on the valuation of older property. The fact that a piece of property could not be replaced for even twice as much as the mortgage outstanding on it is no assurance against loss. One must also consider whether there

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*Address by Dr. Nadler before the National Association of Mutual Savings Banks, New York City, May 4, 1950.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A better tone was evident in the eligible governments following the announcement of the terms of the June and July operation. The 2s of 1952/54, the 1956/58s, the 1956/59s and the September 1967/72s which have been active and in demand, continued to hold the spotlight. The longer partially exempts also came to life. The tap bonds are still being supplied by the Central Banks and the Vics are getting closer to the 2.40% basis, which has been the much "guessed at" floor. At the moment, many of the so-called experts are not so sure of the 2.40 figure, with quite a few of them admitting yields might go slightly above that level. Nonetheless, scale buying is still sizable in the tap bonds and these issues are going into strong hands as prices recede.

There has been no important change in the complexion of the operators in the government market. Pension funds are the principal buyers of the taps, followed by the savings banks. Fire Insurance companies have bought modest amounts, whereas the large life companies have withdrawn as sellers. The large commercial banks are mainly in the shorts and intermediates although they will compete here and there with the smaller ones for the 2½s of September 1967/72.

ONE-YEAR 1¼% RATE

Refunding the June and July certificates with 13 months 1¼s had a stabilizing effect upon the short-and intermediate-term eligible issues. There was a mild element of surprise in the operation—first as to the time of the announcement, and secondly, because it had been expected in some quarters that a 1⅜% obligation would be used for one of the maturities. Nonetheless, the refundings are now out of the way until fall, and this undoubtedly means that for the time being the 1¼% rate will be held for one-year maturities.

Despite the strength of the inflationary forces the Treasury still seems to be very conscious of the debt cost and will probably continue to keep rates as low as they can in both refundings and new money offerings. It will not be too long before the answer will be forthcoming on the latter also, because the deficit is piling up, and the Treasury will soon be in the market for new funds.

LONG BANK 2½s IN SPOTLIGHT

Considerable discussion goes on over the longest bank-eligible issue, the 2½% due 9/15/67-72, particularly about the way in which this bond continues to resist the trend of the rest of the government market. The price spread between this obligation and the Victory bonds is about as large as it has been for some time. Yet, despite the pressure of switch suggestions, that the bank issue be sold and the proceeds be put into the longest taps or other issues, the effect price-wise has been rather negligible. It seems as though the owners of the September 1967/72s are not very easy to shake out of their holdings of this bond, in spite of the more favorable yields that are available in other Treasury obligations. The floating supply has been greatly curtailed because the bonds have gone into strong hands.

Also, according to reports, the Central Banks are no longer in a position to make the 2½s of September 1967/72 available in sizable amounts. The latest figures on security holdings, as reported by the Treasury, those of Jan. 1, 1950, showed that Federal still owned about $143,000,000 of the longest bank bond. During the period from Jan. 31, 1949 to Jan. 31, 1950, the commercial banks bought $408,000,000 of the longest bank 2½s. At that rate it would not take too long for the deposit banks to absorb the remaining holdings of the Central Banks, if they still had the amount shown at the end of last January. Other investors, savings banks and life insurance companies could make bonds available, but it is not believed the supply would be very substantial.

LARGE INCREMENT IN BANK ELIGIBLES SCHEDULED

Commercial Banks, the main owners of the 2½s due 9/15/67-72, need the bonds for income and have no place to go with the funds, if they should sell them. A great many of these institutions are in reality savings banks and must have a return of more than 2% on a certain amount of their government bond holdings in order to cover expenses. They have practically no choice when it comes to the longest bank issue.

On the other hand, just about two years from now, the first of the tap issues will become eligible for purchase by the commercial banks, and before the year 1952 is over, more than $13,000,000,000 of the restricted bonds will be available for acquisition by the deposit institutions. This is not exactly a meagre amount of securities which will be thrown open to the commercial banks two years hence. As that time approaches, there will be a decided effect upon the bank 2½s due 1967/72, assuming there are no great changes in general economic conditions. But economic conditions are always changing and there might even be times when reserve requirements of the deposit banks will have to be lowered and money rates eased. This could happen in 1952 and that could mean the addition of more eligibles would have little or no effect upon the longest bank 2½s.

WORLD BANK 3s SEEN ATTRACTIVE

One of the large dealers looks upon the I. B. 3s of 1972 with considerable interest. It is pointed out the yield is attractive at present prices, and this bond is being suggested as a replacement for the 2½s of September 1967/72. Although the International Bank bond is callable at 102½, it is not expected that the issue will be retired in the near future. It is reported there has been a good demand in the market for the last three maturities of the partially-exempts. The out-of-town banks continue to take down the longest eligible bond, with some sizable orders showing up from time to time. Some switching from corporates into the taps is being done on a modest scale.

Marshall Plan Outlay, Plus Defense Costs, May Reach $200 Billion: Rickenbacker

President of Eastern Air Lines says, even if we gave everything we owned, we could not raise living standards in foreign countries as much as 10%. Contends, however, such foreign aid expenditure will be cheap, if it preserves the peace. Warns, third World War may bring dictatorship to America.

Capt. E. Rickenbacker

Captain Eddie Rickenbacker, World War hero and President of Eastern Air Lines, Inc., in an address before the Kiwanis International at Miami, Fla., on May 10, sounded a warning that Marshall Plan aid along with defense outlays will run into $200 billion "before we get thru, and even this vast outlay would not raise foreign living standards as much as 10%." Discussing the foreign aid program, Capt. Rickenbacker stated:

"We, today, are in the midst of one of the greatest international gambles that this country has ever taken, commonly known as the 'Marshall Plan.' We have heard that it is going to cost twenty billions of dollars of your money and mine.

"I say to you, frankly, that the Marshall Plan, and the North Atlantic Security Pact, plus the rearming of America, will run into two hundred billions of dollars before we are through, because there will be a Marshall Plan of the Orient, of the East and Middle East, and before we get through, there will be one of South America.

"America can continue to give, and I am in favor of giving, to those who are deserving, providing we can afford to give, but we cannot go on indefinitely depleting our resources and failing to replace them, because of our failure to produce without paying a horrible penalty for it sooner or later.

"I am heartily in favor of, and in accord with, giving that which we do not need. However, I am fundamentally opposed to destroying the very foundation of this land in order to build up the balance of the world because it cannot be done. Even if you gave everything you owned down to the shirts on your back, you could not raise the standard of their living to the level of our country, which we know and enjoy so much. You couldn't even raise it 10%.

"But, continue on the path we are going without judgment, dissipating our resources, destroying fundamentally the values of this land, and we will be down to the level of the other peoples of the world—in one generation. It doesn't take long. Let us not forget that.

"If we don't remember all that we know—never lose track of that basic fact that we don't remember all that we know—we can remember more than we have and do, and in so doing we will reestablish and rekindle the spirit of democracy to the degree that America will rebuild itself—spiritually and physically.

"Then we will be strong again, and there is no greater weapon in the world than moral force that goes with the strength and spirit of Christianity.

"But not until we have regained that, will we be emulated by other nations, the same as we ask our children to emulate some great leader—someone who has accomplished great things—because the rest of the people of the world are more or less the same as children.

"I say that if we can, and I pray to God that we can, preserve the peace of the world with the expenditure of two hundred billion of dollars, it will be cheap, because it will save millions of lives and it will save the spirit of America."

Commenting on the probability of a Third World War and its effects, Capt. Rickenbacker predicted that in the event of such a conflict "America as we know it, is gone forever." Concerning this topic, Capt. Rickenbacker said:

"Who can look at newspaper headlines or listen to a radio news broadcast without asking himself 'Where are we drifting? Is there any hope at all for America and the world?'

"Let me give you my personal answer! There is every hope. There can be security for us, our jobs, our homes, our children, our country, and the world—if we can be realistic and face the facts as they exist in this atomic year, 1950.

"Because if we ever enter another war, known as World War III, America, as we know it, is gone forever. The American way of life is gone forever, because no one can win World War III physically, morally, or financially.

"To win, physically, it will take a super-dictatorship beyond anything that this world has known to date, including the dictatorship of Russia. Men, women and children will be drafted, capital will be drafted, the worldly goods that you and I own will be commandeered and drafted. They will have to be to win that war physically.

"Once under that dictatorship you will never get out from under it, with one exception, and that is a horrible revolution on the part of the people to overthrow tyranny, and the slavery and serfdom which have been imposed upon them by that frightful dictatorship—that, you don't want, and I don't want.

"And it will be simple to prevent, providing we can get the spirit of America back into the hearts of every man and woman who claims citizenship in this land of ours, no matter what color or creed."

Speakers to Address IDA Convention

TORONTO, Ont., Canada — A distinguished British financier and speakers from five professional and financial groups will participate in the 34th Annual Meeting of The Investment Dealers' Association of Canada at the Seigniory Club from June 5 to June 9, next. Lord Burghley, one-time world's champion hurdler and ex-Governor-General of Bermuda, who has just returned to England from Pakistan where he headed an important British mission, is flying to Canada to fill his engagement as guest speaker at the meeting. At a special forum meeting, called to review and discuss the present and future place of investment in the economy of Canada, addresses will be made by Harvey R. Doane, Halifax, President of the Dominion Association of Chartered Accountants; Harry L. Guy, Waterloo, immediate Past President of the Canadian Life Insurance Officers Association; Henry E. Langford, Toronto, President of the Dominion Mortgage and Investments Association; John T. Hackett, K.C., Montreal, Past President of the Canadian Bar Association, and by representatives of other professional and financial business groups. Each speaker will deal with the problems of investment as they concern his profession or business and relate to and affect the business of the investment dealer. Also included in the program is a full-day's discussion of ways and means of developing public understanding of the function of investment dealers.

Paul Rudolph Adds

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—Alfred E. Baker, Ewing Harper and Donald M. McRae have been added to the staff of Paul C. Rudolph & Company, 40-D South First Street. Mr. Harper was previously with Gordon Michie.

Economic Impact of Industrial Pensions

By ROGER F. MURRAY*
Vice-President, Bankers Trust Company, New York

In tracing effects of pension plans arising out of collective bargaining, New York banker portrays their effects on Federal Budget, on capital markets, and on business in general. Concludes budgetary aspects of Old Age and Survivors Insurance program do not appear troublesome, but effects on capital markets may mean broadening of institutional investment. Foresees some danger of inflation from excessively liberal pension systems.

Until September 10, 1949, the development of private pension plans was proceeding in an orderly manner. The annual additions to insured and trusteed plans were about $1.2 billion, according to the best estimates we have been able to make. Additions of this magnitude in 1949 probably exceeded those for the preceding year by an amount in the neighborhood of $100 million. The picture, therefore, was one of gradual expansion in the coverage provided by private pension plans, and the amount of new money available for investment was being enlarged at a moderate rate. This reflected both an increase in the number of employees covered and the higher wage and salary levels on which pension costs were computed.

Roger F. Murray

On Sept. 10, 1949, however, when the Steel Industry Board published its report, the subject of pensions abruptly became the major issue to be negotiated in collective bargaining agreements. The action of the Board in disapproving a direct increase in wages, but commending very highly the establishment of pension plans to supplement the Federal Old Age and Survivors Insurance System created a drastice change of emphasis in union demands. Unions and managements alike were unprepared for many of the complex issues raised in pension bargaining, with the result that agreements were reached in haste on questions which called for calm deliberation. Another very significant effect has been the strengthening of support for a major revision in the Federal pension system.

Although the situation is still somewhat confused and many of the consequences are by no means clear, we can draw some general conclusions as to three major aspects of this development. First, we can observe the probable effects of Federal pensions upon the Federal budget. Second, we can analyze the impact of expanded private pensions on the capital markets. Third, we can give some thought to pension costs as an element of business costs in general and to some of the implications for the price level over a period of years.

The Federal Budget

At present the Federal Old Age and Survivors Insurance program covers less than 60% of the employed civilian labor force, and even the revisions approved by the House of Representatives and currently under consideration in the Senate would not extend coverage beyond 75%. Since the average primary benefit payment at the present time is very low, substantial increases should be made. The revised scale now under consideration would raise benefits by about 70% to 90%, on the average, or at least enough to offset the rise in living costs since 1939. It seems doubtful, therefore, that the revisions now in prospect will be sufficiently comprehensive to permit the Old Age and Survivors Insurance System effectively to perform its function of providing substantially universal coverage and a scale of benefits adequate to prevent dependency. Consequently, it is probable that we shall see further changes in the provisions of the Social Security Act during the next few years in the direction of expanding the scope of its operations.

The effects of such an expansion in the Federal pension system will depend, of course, upon the method of financing. It is probably a waste of time to speculate on just how the program will operate in 30 or 50 years, because we know from our experience of the last 15 years how radically circumstances may change projections of receipts and benefit payments. We can, however, examine the present operation and appraise the prospective effects over the next decade or so. For the year 1949, the Old Age and Survivors Insurance Trust Fund had total receipts of $1.8 billion, but the total of benefit payments and administrative expenses was only slightly in excess of $700 million. Thus, an additional $1.1 billion was added to the reserve in government bonds, bringing the fund up to almost $12 billion. As you know, this fund has been used to purchase special obligations of the U. S. Treasury bearing interest at the average rate payable on the public debt. Because of the 50% increase in payroll tax rates effective at the the first of this year, receipts currently exceed benefit payments by an even larger sum. A fair guess is that for the 1951 fiscal year the excess of receipts, giving effect to current legislation will amount to about $1.3 billion.

These operations are, of course, excluded from the regular budget receipts and expenditures, but the surplus offsets a corresponding portion of the current budget deficit. Each year, however, many more covered workers will be reaching retirement age and start drawing benefits for which they and their employers have not made corresponding contributions since the start of the program. In the absence of increases in payroll tax rates, the surplus of receipts over benefit payments is likely to dwindle during the next five years or so.

As the years pass, it is anticipated that the costs of the program may range up to two and three times the present 3% of taxable payrolls. This is a fairly conservative estimate. One of the factors contributing to this trend of increasing costs is the changing composition of our population. Whereas in 1950 there are over 7½ persons in the productive ages between 20 and 65 for every person 65 and over, in another 30 years, if present trends continue, there will be only five persons in the age groups between 20 and 65 for each person who has passed his 65th birthday. Assuming a constant retirement age of 65, therefore, the productive members of society will be called upon to contribute increasing amounts from the fruits of their current efforts to maintain the same level of pensions for retired persons.

We may be justified, however, in anticipating a general postponement of the retirement age for the great majority of employees. In the case of executives, it may frequently seem desirable to provide for compulsory retirement at age 65 in order to make way for younger men. But this does not apply to many production workers who are still able to handle their tasks efficiently and wish to work. To many of these individuals, retirement is not a release to leisure but a sentence to enforced idleness. In many companies, therefore, optional retirement at 65, with or without compulsory retirement at a later age, has been provided for hourly-paid employees.

The increase in longevity which has accompanied progress in medical science, and which is likely to continue, in itself suggests that the individual may be better equipped to work during his later years than in the past. In spite of the programs which will be developed over the years to prepare people for retirement, it is probable that the inclination to work will continue strong among many people who enjoy a congenial working atmosphere. From an economic point of view, this should be encouraged; it is the only way to keep down the rising cost of pensions with the advance in age of our population. Everyone working past age 65 can be a contributor of revenues to the pension system while reducing the duration of the benefits which he will receive.

On this basis, I think that we can reasonably contemplate the lower of the several estimates which have been made of the future cost of the Old Age and Survivors Insurance program. After the next few years, I would expect the payroll tax rate to be raised only rapidly enough to keep in prospect a small surplus of receipts over benefit payments, without adding materially to the reserve. This is the procedure recommended by the Senate Finance Committee, which has advocated no rise in the tax rate until 1956. I also believe that payroll taxes shared equally by employers and employees should and will continue to pay for the program. The tendency of such taxes to curtail consumption will be offset by the prompt spending of benefit payments by the pensioners receiving equivalent amounts. As the growth in benefits takes place, the Federal budget should be relieved of heavy Old Age Assistance outlays financed from general revenues.

Thus, the budgetary aspects of the Old Age and Survivors Insurance program do not appear especially troublesome. The volume of the Federal Government's transactions with the public will be further enlarged in the process of collecting and disbursing of several times the $700 million of benefits paid in the year 1949. Since benefit payments will be more stable than payroll tax collections, the program can have mildly contra-cyclical effects.

The Capital Markets

In attempting to appraise the impact of expanding private pension plans on the capital markets, it seems apparent that while the near-term effects upon the flow of institutionalized savings are reasonably predictable, the longer-range consequences are so indeterminate as to defy ordinary methods of analysis.

Let us first consider the situation likely to prevail during the balance of this year and the early months of 1951. We estimate that the increase in funds available for investment, attributable to the current acceleration in the rate of growth of private pension plans, might amount to about $500 million a year. Since, as mentioned previously, we believe that in 1949 insured and trusteed pension plans grew by about $1.2 billion, the annual rate of growth would, therefore, be about $1.7 billion nine to twelve months from now.

Whether an additional $500 million a year available for investment in insured and trusteed pension plans will have an important influence on the capital markets will depend, of course, upon the prevailing situation. It is appropriate, therefore, to consider some of the major trends in the supply of and demand for long-term investment funds. At the present time, it appears that the volume of new corporate security issues will be smaller in 1950 than in 1949. New issues of preferred and common stocks may equal or exceed the totals of last year, but it seems probable that in the bond category there will again be a decline in the amount of new money borrowed.

In view of the expectation that funds in the hands of savings institutions (i.e., principally life insurance companies, savings banks, savings and loan associations) will be larger than a year ago, one might anticipate that the reduced volume of corporate offerings would result in a downward pressure on long-term interest rates. In recent months, however, it seems to me that the outlook has changed by reason of the greater volume of new urban real estate mortgages now in prospect. Not many months ago, I was confident that the net increase in outstanding mortgages would be smaller in 1950 than in 1949. However, the trend of contract awards and the figures for new residential starts indicate that the high level of residential construction will be continued during most of the rest of the year at least. On the basis of present prospects, therefore, it seems entirely possible that the net increase in urban real estate mortgages will provide an offset for the decline in new corporate bond financing. A larger volume of state and local government financing will also provide additional investment outlets. Since savings institutions and pension funds do not need tax exemption, however, it appears that their principal interest will be in public authority and revenue bonds in cases where the yields are

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*An address by Mr. Murray before the Investment Analysts Club of Chicago, Chicago, Ill., May 4, 1950.

Program and Aims in Government Power Development

By WILLIAM E. WARNE*
Assistant Secretary of the Interior

Interior Department executive recounts growth of Federal Power Developments and defends its progress on ground power is needed to overcome national electric energy deficiency. Says public and private power agencies can live and work together to expand power output fast enough to sustain our American economy. Denies use and development of water resources by government is socialism.

Two weeks ago, the National Association of Electric Companies invited the Washington press corps to breakfast. Representatives of several large electric power companies, in a series of speeches, accused the Federal Government, and more specifically the Department of the Interior, of all manner of crimes against the country in general and the utility industry in particular. It was charged that the government's power policies were confusing and needed clarification; that public power programs were (and I quote) "contrary to the public interest" (unquote); and that these programs were (quote) "leading the country into Socialism" (unquote.)

William E. Warne

I am glad indeed to be here today to clear up some of the confusion which seems to trouble the privately-owned electric utility industry.

To appraise the problem of energy production and distribution in the United States in its true dimensions, we need some perspectives.

Consider first the enormous growth of electric power development in this country since the First World War. In 1920, electric utility plants had an installed capacity of about 13 million kilowatts. By the end of 1949, capacity had increased nearly five times—to 62½ million kilowatts. And while capacity increased fivefold during the 30-year period, the output of electric energy from the generators multiplied about seven times—from 40 billion kilowatt hours in 1920 to 291 billion kilowatt hours in 1949.

The plain fact is that, except during periods of severe economic depression, supply of electric power in this country has never caught up with demand. Today, in spite of the very large additions to generating capacity made both by private industry and by government during and since World War II, we are still short of power.

This is so, despite assurances to the contrary. We were told that we would not live to see the day that the government would market all of the power to be generated at Hoover Dam on the Colorado River, the first large-scale Federal hydro-electric installation. Yet the generators at Hoover Dam have been operating at top capacity ever since the first unit was installed in 1936. Still other dams and other generating plants have been required and provided in the area. We were told also that Grand Coulee Dam on the Columbia River would turn out to be a gigantic white elephant, and yet demands for power from Grand Coulee constantly have raced far ahead of supply.

The war effort of the United States would have been severely restricted had it not been for the large blocks of electric power generated at Hoover and Grand Coulee, at Bonneville, and at the dams operated by the Tennessee Valley Authority.

Since the war, while some utility executives have been assuring us that the power emergency is over, demand for electrical energy has continued its upward spiral. At hearings before the House Appropriations Committee in 1946, the President of the Pacific Gas and Electric Co. was asked whether there was any shortage of power in the Central Valley of California. He replied, and I quote: "There is none now; there has been none, and there will be none in the future." Less than two years later, while the Central Valley was experiencing one of the most acute shortages in history, PG&E found it necessary to pull switches on its overloaded lines and to cut down deliveries to its customers. As most of you know, brown-outs have plagued many other sections of the United States in the last few years, and shortages still exist due both to lack of supply and transmission facilities.

The Federal Power Commission reports that in 1948, the last year for which complete figures are available, nearly half of the country's major utility systems had to make maximum load curtailments—that is, to cut power deliveries to their customers below demands at peak periods. These curtailments occurred in every region of the United States. In total, they amounted to 2,571,000 kilowatts, or about double those of 1947.

Unfortunately, these figures by no means indicate the true dimensions of the country's power shortage. Our actual deficit of electrical energy is much larger than is generally realized. It is a concealed shortage, because it must be measured in demands that never develop because the power is not there to meet them.

In the Tennessee Valley and in the Pacific Northwest, abundant low-cost power supplies, by stimulating industrial and agricultural development and raising living levels, create power markets that never before existed. And they create these demands by creating business and industrial opportunities in large numbers for private citizens.

In addition, as electric power rates go down, the use of electricity goes up. In 1925, for example, with electricity selling at a little over 7 cents a kilowatt-hour, annual domestic consumption in the United States averaged only about 400 kilowatt-hours per customer. But by 1948, with the average rate down to approximately 3 cents, domestic consumption per customer had quadrupled, amounting to about 1,563 kilowatt-hours a year. This means more comfortable and better living in millions of homes.

Future Electric Requirements

Considering all of the dynamic factors involved, the Federal Power Commission foresees the country's annual electric power requirements adding up to the enormous sum of 600 billion kilowatt-hours by 1960. Electrical output of this magnitude would require 134 million kilowatts of capacity installed in both utility generating stations and industrial plants. This means that power plant capacity by 1960 must be expanded to twice its present size and three times its size in 1940.

Doubling the size of the country's power plant in the next decade and preparing for still greater future expansion is a task which calls for all of the ingenuity and resourcefulness which private industry and the government can bring to bear upon it.

In World War II the Federal dams proved the key to large parts of our armament problem, and they provided the power for the atom bomb. Since V-J day, they have been utilized and desperately needed in our national economy. In the future, which we hope will be peaceful, they and many more will be needed. If the cold war becomes hot, which God forbid, electrical energy supply will immediately become a crucial problem despite all that anyone is doing or planning to do now.

The private companies are planning substantial additions to the generating capacity of their plants within the next few years. But within the next decade they will be faced with the necessity of retiring about 10 million kilowatts of existing capacity because of age and obsolescence. Net additions to plant by private industry in future years will fall far short of the amount needed to close the gap between power supply and demand. For this reason alone, and there are a number of others, the job of plant expansion can only be done by industry and government working side by side.

Private and Public Agencies Should Work Together

The question is not whether public and private power agencies can live together, but whether public and private agencies, working together at top speed, can expand power output fast enough to sustain our dynamic American economy.

In the building of a National power plant adequate to meet future needs, the river basins of the country will play an indispensable role. The Federal Power Commission estimates that, if sound, multi-purpose methods are applied to their development, our rivers can be harnessed to provide nearly 77 million kilowatts of additional hydroelectric capacity. A large share of this vast potential is located in the West. The State of Washington alone has undeveloped hydro capacity amounting to more than 15 million kilowatts. But there are substantial reservoirs of undeveloped water in other parts of the country as well. More than 3 million kilowatts of capacity can be installed, for example, on the Androscoggin, the Penobscot, the Merrimack, the Connecticut, and other rivers flowing through New England. The rivers of the Middle Atlantic states have a potential capacity of more than 5 million kilowatts, and those of the South Atlantic states nearly 7½ million kilowatts.

There are compelling reasons why we should put our rivers to work. Most of the power which energizes America today is produced by drawing upon fuel resources we cannot replace. Forty-six million kilowatts of our National capacity are installed in plants which feed upon coal, oil, or gas. Only 16 million kilowatts of capacity make use of our renewable river resources. Of the 12 million kilowatts added to National capacity since the recent war, 11 million kilowatts have been installed in steam plants driven by fuel and only about 1 million in hydro plants. To produce in steam plants as much electrical energy as we can develop by tapping our unused hydroelectric power resources would require on the order of 800 million barrels of oil a year.

It was partly his concern for conservation of our dwindling fuel reserves that led Secretary of the Interior Oscar L. Chapman to say recently that with our peacetime economy expanding we should certainly install at least 25 million kilowatts of additional hydro capacity within the next 15 years.

While development of our rivers will be important in our efforts to meet power requirements of the future, of much greater significance to the public even than this is that use of the hydro potential is important in the public development of the river basins.

Power production is the key with which we can unlock the priceless resources of our river valleys for the achievement of other important conservation objectives — irrigation, domestic water supply, flood control, navigation, recreation, salinity control, fish and wildlife protection, and pollution abatement. Coordinated use of the water impounded in storage reservoirs enables us to meet all of these urgent needs, with revenues from power development paying a substantial part of the check.

Private Enterprise Alone Cannot Do Job

No private enterprise can finance an integrated, multiple-purpose river basin development. This is the job of the government, and it is inescapable.

In the West, many of whose citizens have had a chance over two generations to share in the manifold benefits of reclamation and related programs, the importance of basin-wide water and resource development is now well understood. The average Westerner realizes that the Federal power and reclamation program is an integral part of the over-all basin development program. This Western program, as it is now developing in Missouri, Columbia, Colorado, and Sacramento-San Joaquin Valleys, could not exist without the power features—and for the reason that power revenues pay an essential part of the cost. With the irrigation job in the West but half done, we are approaching the point at which we must undertake projects where the pay-off will be smaller than in our earlier programs. In these circumstances, power production assumes crucial significance. Without power revenues, some of our future projects would be economically unsound, and great developments serving many public benefits would be lost.

We need more, not less, planning and construction to make full use on an integrated basis for all purposes of our rivers, and we need it in the East as well as the West. Our water problem is no longer sectional and confined to the arid West. It is in the Eastern city which is the pride of the whole nation, New York, where today you must ask for a glass of water in a restaurant and are officially frowned upon if you take too many baths.

When spokesmen for some of the power companies opposing public power development raise the cry of socialism, they seek to obscure the real issue. The river resources of the country belong to all of the people. While the Federal Government is not proposing a public monopoly of hydro power nor proposing to prevent privately-owned utilities appropriately to use these resources, the Government cannot permit private companies to skim the revenue-producing cream off our national water resources. Nor can it allow piecemeal, single-purpose river development to foreclose the opportunity to undertake bold, efficient, and truly economic mul-

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*Address by Asst. Sec. Warne before the 38th Annual Meeting of the Chamber of Commerce of U. S., Washington, D. C., May 2, 1950.

Says Postwar Crack-Up Can Still Come

Leslie Gould, Financial Editor of the N. Y. "Journal American," decries belief depressions are not likely because of government supports. Says auto industry holds key to business and stock market trend.

In an informal talk at the regular meeting of Wall Street Post No. 1217 of the American Legion, Leslie Gould, Financial Editor of the New York "Journal-American," expressed the view that the business recessions experienced after previous war, can still be repeated and that government price and other supports are no effective preventives. In speaking of the business outlook, Mr. Gould remarked:

Leslie Gould

"My belief is that the automobile industry holds the key to both the general business picture as well as the stock market. If sales hold up and the industry continues prosperous so will the boom. This and steel are the two major industries which have not had a correction since the war. I felt the buyers market would be 100% this Spring, but the Chrysler tie up costing about 500,000 cars may postpone that for autos to the Summer or Fall. Strikes also delayed the return of the buyers market to steel.

"If a business recession is avoided this time, it will be the first such instance after a major world war. Every war has been followed by a business recession—usually of short duration—and by a depression some years later of a more drastic nature. That is: periods comparable to 1920 and 1929.

"The 1920 kind of period of readjustment comes once the civilian shortages built up during the war years, are made up, and a buyers market returns. This has happened piece meal so far this time, with steel and motor cars, the two major industries, yet to go through a correction.

"On the present boom in the market, I think it is significant that to make money a person has to be more than right on the market. He has to be in the right stock.

"The market has been very selective this year. If you bought televisions shares you have made a lot of money. But if you held some others, like the tobaccos, the sugars, the shoe or the drug stocks—other than the chemicals—you would be out money.

"I don't put too much stock in 'this is a new era' talk. I have been around these parts long enough when I hear that sort of thing I feel as I do when the feature picture starts its second showing at the neighborhood movie. This is where I came in.

"I came to Wall Street in 1928 after 10 years as a general news reporter and headline writer on papers around the country. That was a new era. I came here to get out of the newspaper business. I thought I might buy a seat on the Stock Exchange. But they got up to $625,000. One day in the early '40s they sold around $17,500. I might have been able to buy one then, but I wasn't interested.

"In 1929, the story was that there couldn't be a depression nor a severe market shake out. It was a new era, and I remember one press conference at Bethlehem Steel in July of 1929 when Eugene Grace pulled out a chart on commodity prices, saying—these prices are stable. They haven't had wide swings like they use to have. So there isn't so much to correct.

"Well, today you hear people saying, things are different today from 1920 and the other 1920s. You never had the government supporting farm prices, so these can't crack up. And so on.

"I think commodity prices have cracked up and plenty. Certainly if the government pays millions of dollars for potatoes and then sells them back to the farmers at one cent a bag, the price on those potatoes has cracked up. The government lost the millions and that means the average American citizen paying taxes was nicked for that amount.

"All the government is doing is postponing the judgment day. The surplus crops will have to be sold at a loss, given away or destroyed. And the public is going to pay for it one way or another.

"So when someone says you can't have a crack-up in commodity prices, he is just kidding himself. He has fallen for the political pop.

"Before going into the Washington angle, I would like to point out a couple of other things in the economic picture. The present business boom is partly due to strikes, which created shortages in steel and took half a million cars out of the new automobile market.

"On the consumers side, it has been given a big lift by the $2½ billion of insurance refunds, which incidentally now are largely disbursed.

"Then, installment credit sales have been going up by leaps and bounds. The total is now the highest on record. Installment loans now are around $11 billion against $5 billion 417 million in 1940 and $3 billion 158 million in 1929, and $1 billion 588 million in 1933. The dollars in 1933 and 1929 were different dollars from today's, but even so the rise in installment buying more than offsets the dollar's depreciation. The dollar's value has been cut about 38% since 1940 and installment credit has doubled.

"There has been a reduction in unemployment, to about 3½ million currently—which is supposed to be normal—against something over 4½ million in the Winter.

"Farm income will be down this year and the workers will not have overtime pay to bolster their weekly check. These are some of the reasons why I think a more cautious attitude is warranted. Then, there is no telling what may happen internationally. A war is not bullish in my book.

"On the longer range, you can't get away from the fact that inflation is in the cards. There is no sign of economy in government anywhere. As long as we have the present set of so and sos, it will continue to be so, and the Republicans aren't doing much better where they control governmental purse strings.

"The thing that disturbs me is the lack of public response to some of the things being turned up today. Outside of the American Legion, and a couple of other veteran organizations, some of the newspapers—but not all here in New York — and the Catholic Church, and I'm not a Catholic—there is no hue and cry over such stinking things as the Alger Hiss case; the fact, whether McCarthy is right or not on his numbers, that the State Department under a pro-Russian policy has handed most of the world to the Soviets. And lastly the revelation that the Department had to fire some 291 sexual perverts.

"Maybe I'm getting old, or it's me and not the rest of the public that's nuts. But I think it is high time that we had a change. Maybe goodbye to Senator Pepper may be the real straw in the wind—that people don't talk about these things but vote against them."

M'hawk Bus. Mach. Stk. Offered by Jacquin, Bliss & Stanley

Jacquin, Bliss & Stanley are publicly offering 58,612 shares of common stock (par 10¢) of Mohawk Business Machines Corp. at $1 per share, the net proceeds of which are to be added to working capital.

The Mohawk corporation was organized in Maryland on Jan. 11, 1949, to engage in the business of engineering, manufacturing and distributing wire recorders, automatic telephone answering devices, business machines and other products utilizing the principle of magnetic recording. It has engineered and developed and is currently producing and merchandising two models of portable wire recorders sold under its registered trade name "Sound-Magnet."

Glore, Forgan Places Nat. Distillers Notes

An issue of $30,000,000 National Distillers Products Corp. 2.80% promissory notes due April 1, 1975, has been sold to a number of institutional investors, the corporation announced on May 5. The financing was placed through Glore, Forgan & Co. and Harriman Ripley & Co. Inc. The proceeds will be used by National Distillers to increase working capital.

Cincinnati Securities Men Visit Schenley

A fermenting mash of whiskey captures the attention of several members of the Cincinnati Stock and Bond Club during their visit to the plant of Schenley Distillers, Inc., Lawrenceburg, Indiana, April 27. Pictured, left to right, are Robert Weiss, Weiss, Work & Co.; James F. Moriarty, W. E. Hutton & Co.; Herbert Dittus, Fox, Reusch & Co.; Charles H. Snyder, J. E. Bennett & Co.; Joseph H. Vasey, George Eustis & Co.; James E. Madigan, J. E. Madigan & Co., and J. E. Bennett, J. E. Bennett & Co.

CINCINNATI, Ohio.—Members of the Cincinnati Stock and Bond Club, wholly conversant with matters of securities and investments, went a little afield to learn something about the production of whiskey and pharmaceuticals. About 75 strong, the group journeyed to nearby Lawrenceburg, Ind., and spent an afternoon inspecting plant operations of Schenley Distillers, Inc., and Schenley Laboratories, Inc., there. Following their plant tours, they were guests of the company for dinner and entertainment in the Schenley Hospitality Center.

Among those making the trip were the following club officers: President, Joseph H. Vasey, associated with George Eustis & Co.; Second Vice-President, Fred H. Becker, Field, Richards & Co.; Treasurer, James F. Moriarty, W. E. Hutton & Co., and Trustees, Jack H. Neumark, Middendorf & Co.; Charles H. Snyder, J. E. Bennett & Co.; Robert Weiss, Weiss, Work & Co., and Lloyd W. Shepler, Merrill Lynch, Pierce, Fenner & Beane. Officers unable to attend were the First Vice-President, Harry J. Hudepohl, Westheimer & Co.; Secretary, Paul W. Glenn, Edward Brockhaus & Co., and two Trustees, Paul Hood, Seasongood & Mayer, and Robert A. Jameson, Pohl & Co.

Serving as hosts were Robert H. Nanz, Schenley Vice-President-regional manager; E. P. Henderson, plant manager; J. H. Noyes, pharmaceutical plant manager, and a number of other company representatives, including Sidney Spritz, former investment broker, who made arrangements for the program.

COMING EVENTS

In Investment Field

May 15, 1950 (Chicago, Ill.)
Women's Finance Forum of America May meeting at the offices of Thomson & McKinnon, 231 South La Salle Street, Rm. 700.

May 19, 1950 (Baltimore)
Baltimore Securities Traders Association outing at the Country Club of Maryland.

May 22-24, 1950 (Cleveland, Ohio)
Association of Stock Exchange Firms spring meeting of Board of Governors.

May 26, 1950 (Cincinnati, Ohio)
Municipal Bond Dealers Group of Cincinnati Annual Spring Party and Outing at the Kenwood Country Club (to be preceded by a cocktail party and dinner May 25 for out-of-town guests).

May 26, 1950 (Pittsburgh, Pa.)
Pittsburgh Securities Traders Association annual outing at Highland Country Club.

May 30, 1950 (Dallas, Tex.)
Dallas Bond Club annual field day at the Dallas Country Club.

June 2, 1950 (Buffalo, N. Y.)
Bond Club of Buffalo Spring Party at Wanakah Country Club.

June 2, 1950 (New York City)
Bond Club of New York annual field day at Sleepy Hollow Country Club, Scarborough, N. Y.

June 5-8, 1950 (Canada)
Investment Dealers Association of Canada 34th Annual Meeting at the Seigniory Club, Montebello, Quebec.

June 8, 1950 (Boston, Mass.)
Boston Securities Traders Association Thirty-first Annual Outing at New Ocean House, Swampscott, Mass., with golf at the Tedesco Country Club nearby.

June 9, 1950 (New York City)
Municipal Bond Club of New York annual meeting and field day at Sleepy Hollow Country Club, Scarborough, N. Y.

June 9, 1950 (Philadelphia, Pa.)
Philadelphia Securities Association annual field day at the Aronomink Golf Club, Newtown Square, Pa.

June 10-11, 1950 (San Francisco, Calif.)
San Francisco Security Traders Association annual spring outing at the Diablo Country Club, Contra Costa County, Calif.

Continued from page 5

Observations . . .

problem or made any plans to cope with such a situation should it develop?

As I have indicated I am by no means sure that my present financial knowledge and experience qualifies me to state categorically that this or that is true and will happen. However, if any observer with your qualifications decided that the above ideas had substance and if some discussion of them saw the light of day in print, I should be most gratified.

Sincerely yours,

New York City [Signed] CARL BUCK.

SEC Misgivings Over "Runs"

Similar misgivings over the fund's possible large-scale liquidation difficulties have been voiced by Federal regulatory authorities over a period of years. Back in 1939 the SEC, in its "Report on Investment Trust and Investment Companies"* warned:

"Because of the shareholders' right to compel redemption of their shares open-end companies may be deemed to be subject to liabilities and in a position not unlike banks. Up to the end of 1937 open-end companies had not experienced tremendous liquidation concentrated within brief periods of time comparable to 'runs' on banks. However, in view of the obligations of open-end companies to redeem their shares on demand, subject only to a period of grace, the possibility of such 'runs' does exist."

And again in the same general Report[1] the Commission portentously said of the potential effect on the shareholders of the redemption privilege:

"A large volume of redemptions by open-end investment company shareholders concentrated in a short period of time may aggravate the risks of loss to the remaining stockholders in the company, to raise the cash to meet these demands for redemption. It may become necessary to liquidate the most salable portfolio isseus—issues with generally good markets—leaving the less liquid securities in the portfolio for the remaining shareholders. If the funds necessary to meet the redemption demands are raised by borrowing, the result is an acceleration of the rate of decline of the shareholders' equity through leverage. Fortunately up to the end of 1939 open-end investment companies had not experienced the tremendous liquidations concentrated within brief periods of time comparable to 'runs' on banks."

A Current Official Warning

That the redemption feature is still worrying the Securities and Exchange Commission is evidenced in last fortnight's speech by Commissioner Donald C. Cook[2], in which he said:

"The larger the funds grow in size and the more heavily invested in listed securities they become, the less flexible their investment policy can be. It is quite obvious, for instance, that an investment company cannot overnight liquidate large holdings of a particular company's securities without serious risk of producing a serious effect upon the market price and possibly creating adverse effects on other portfolio securities as well. The ability to adjust promptly to changes in particular companies, industries, or in the market climate itself tends to be lost with growth."

There is little doubt that there is danger of vulnerability of the market for individual issues and as a whole, to concentrated liquidation—particularly under the market thinness that has been usual during the past 17 years. But there are several factors in the situation that warrant feelings of reassurance.

Offsetting Factors

In the first place Mr. Cook's reference to "large" holdings of the trusts must be viewed in the light of their proper proportion. The total holdings of all open-end funds are only $2 billion out of approximately $70 billion market value of listed common stocks. Even in a representative Blue Chip like Union Carbide only 0.66% of the outstanding stock is held by funds, which as a group comprise but 0.12% of the total stockholders.

Mr. Cook's worry, as manifested in the above-cited quotation, seems to be based on the twin premises that the individual investor will act more irrationally than would the professional fund manager during a decline (the former getting the power to make the investment decisions through the redemption feature); and that the portfolio manager in any event must make rapid adjustments to changes in the market's "climate" and in companies. These assumptions seem to be highly dubious in fact. It is questionable to assume a better grade of psychology and conduct on the part of either group—shareholders or managers. It is also doubtful whether it is justifiable to assume that portfolio managers must feel the urge to forsake an investment attitude of holding for the long-term. In any event, the worst that could happen as a result of a general voluntary selling urge by trust managements would be a drastic bust in the concentrated Blue Chip market—a possibly healthy phenomenon.

Constructive Bucking-of-the-Trend

Recent market evidence seems to warrant hope that the fund managers will not be voluntarily following-the-crowd and selling their Blue Chips and other stocks on the way down—at least during the relatively milder market swings. During the past quarter of a general market rise the 62 leading trusts increased their aggregate of holdings of cash by 14% (from $192 to $217 million); of which a 22% increase was effected by the voluntary counter-trend liquidation by the closed-end trusts and not from cash received from the public. Similarly manifesting phlegmatic behavior by trust managers and also negligibility of their actual power in making-the-market, were the trusts' operations in leading securities since June 30 last. As shown by Henry Ansbacher Long in his review of trust activities in this issue of the "Chronicle" (cover page), in a group of five popular stocks that have advanced by 20% or more from June 30, 1949, to March 31, 1950, the net differences between the purchases and sales by 49 leading open-end and 13 closed-end funds have been wholly insignificant (a maximum of 17,000 shares in any issue); and three out of the five issues actually showed net trust liquidation during their price rise.

The Historical Experience With Shareholders' Cash-Ins

Following Mr. Buck's suggestion above, this writer has delved into the SEC's and some of the older trusts' records of shareholders' past behavior. During the epochal 1929-32 collapse, in two quarters trust repurchases exceeded sales; namely in the one ended Dec. 31, 1930 (by 110%), and Sept. 30, 1931 (by 115%). In the last quarter of 1929 which encompassed the greatest break in market history, trust redemptions were also quite high and sales low, the ratio of the former to the latter having been 93%. In the first quarter of 1932 the ratio was 78%, and in the second quarter of 1932, 80%. During the 1927-36 interval, which included both bull and bear markets, the aggregate ratio of redemptions to sales was 25%. In drawing any long-term conclusions it must be borne in mind that substantial open-end sales took place only after 1935.

Some Individual Difficulties

Within the overall experience some individual funds had their own troubles during the Great Depression. Incorporated Investors' shareholders called for redemptions over sales to the extent of almost $2 million in that holocaustic fourth quarter of 1949. During certain quarters of 1930 and 1931 also there were excesses of cash-ins over sales, so that the fund found it necessary to engage in bank borrowing.

Disregarding the concurrent sales volume and looking only at the cash-ins, the assets of Massachusetts Investors Trust would have been reduced by 80% and of Incorporated Investors by 88% between Sept. 31 and Dec. 31, 1929, if there had been no offsetting sales. The bugaboo of a stoppage of share sales is of course not being suggested, but "anything (at least partially) can happen." During the fourth quarter of 1946—a period of market decline—Incorporated's repurchases almost doubled those of the first quarter, while the sales were halved. And that market recession year witnessed a rise in the total redemptions of all open-end funds to a record of 11% of assets (more than offset by concurrent sales).

Constructive Behavior During 1946 Break

Confidence in the short-run behavior of fund managers is warranted by their doings during the severe market break of 6.4% of the value of the issues traded, which occurred on Sept. 3, 1946. The SEC's minute Study of that day's Exchange trading revealed that the Investment Trusts and other financial companies had the largest net purchases of any group and were fairly consistent buyers on balance for practically the entire day.

Whether fund managers will display such equanimity of judgment over a major period of drastic market decline is another matter and is still unresolved by quantitative evidence. This question as well as further consideration of the future effects of trust shareholders' psychological reactions, will be further considered in a subsequent article.

*Part ii, page 244.
1Part iii, page 807.
2Before University of Michigan School of Business Administration, April 22, 1950.

With Beardslee-Talbot

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—David L. Sutherland has become connected with Beardslee-Talbot Co., 607 Marquette Avenue.

With Allen & Co.

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla.—Mrs. Viva B. Comstock is associated with Allen & Co., 19 South Court Street.

Amott, Baker Adds Two

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William A. Hansen and William D. MacGregor are now associated with Amott, Baker & Co., 10 Post Office Square. Mr. Hansen was previously with J. H. Walsh & Co. and Gardner & Co.

Upsetting Sequence of Work, Earnings, Savings and Investment

By FRANCIS ADAMS TRUSLOW*
President, New York Curb Exchange

Mr. Truslow, noting struggle through ages to maintain and control fundamental process of work, earnings, savings, and investment, asserts today's conflict is at critical point. Attacks government intervention in free markets, citing, in particular, foreign exchange controls, and calls for restoration of convertible currencies as bulwark of private enterprise.

Investment, savings, individual enterprise, government intervention, devaluation, dollar shortages, development of under-developed areas, commercial policy, social policy, convertibility, controls, multiple rates, free exchange — all these names and many more spin like flashing pin wheels in our minds as this or any other economic conference in these days rises to the crescendo of its performance. Perhaps there are minds which can satisfactorily see as a whole the solar system which each of these names represents and arrange it with the others in a tidy universe, if so I do not possess one.

Francis A. Truslow

On the contrary I feel a great urge to deflate the brilliant balloons of logic which float through our discussion of these words and to reduce to terms that I can understand the vast conflicts which these words imply. Fatuous as this urge to simplify may be I must honor it and attempt to meet its demands.

At the heart of all these ideas which beset us lies, I think, a process by which men can live and seek to satisfy their needs and there exists a conflict over whether that process will be discarded and a new system under which men cannot endure to live shall be substituted in its place. What stand we take on the great issues of our day should be based on our understanding of that process and on our allegiance in that conflict.

The fundamental process is the simple sequence of work, earnings, savings and investment. The fundamental conflict is whether individuals can continue to select the work that they will do, administer the earnings it produces and determine the savings they will retain and the investments they will make or whether they will collectively surrender these powers to some super organizations of men called a state.

The farmer, who cultivates his land and harvests his crops, sets aside his seeds and plants again, is more familiar with this process than the industrial workman who sees only the work he does and the wages he gets. But no matter how many stages and complexities may be added the process remains the same. If, like Lot's wife, we are inclined to look backwards, we see the process from investment to savings to earnings and work and investment again. If, like Odysseus, we look forward, we follow it from investment through work to earnings to savings and back to investment. Even if Hecate looked at it both ways at once she would see a chain of events which cannot be broken at any point and still hold together.

The only law which is essential to this process and to the survival and development of all mankind, since we are all dependent on it, is the law that the process must go on. If in any application of this cycle the process consumes more than it creates there will be no earnings, no savings and no investment and the chain of events will be broken.

Struggle to Control the Process

The law that the process must go on may not be safely violated; but for thousands of years men have fought for the power to control the events in the chain. We are still engaged in that ancient conflict.

Experience has taught us the conditions under which this process is most productive and man's returns from it most satisfactory to his wants. Whenever control of this cycle has fallen into a few hands its productiveness has diminished until men have rebelled and at great cost taken it back into many hands. Whenever control has been widely dispersed among men the process has reached its greatest production.

Out of this experience we have learned that, as the number and complexity of its applications increase, the process requires common protection from human weakness, a common sytem of law to settle its human conflicts and the establishment of a commonly acceptable system of money in which to store and transfer its earnings into savings and its savings into investment.

Out of the history of this conflict we have learned that fundamental human rights are dependent on whether a few men—call them what you will "governments, tyrants, oligarchs, or politburos"—or thousands of individuals control the process. Where individuals determine their own work, seek their own earnings, gain their own savings and select their own investments, freedom of judgment and opinion and speech can and does reach its highest levels. Among the possessors of freedom, justice become a necessity as well as an idea. When a few men control in virtual slavery the rest of the population freedom and justice and independence of thought and speech cannot be tolerated.

Conflict at Critical Point

Today this conflict is at a critical point. There are millions of men engaged in fractional parts of thousands of these cycles of enterprise. These millions do not see or understand the pattern that supports them and gives them freedom. Their ignorance provides an opportunity for those who seek power for themselves to take control of the process amidst the applause of those who are losing their freedom.

But there are also millions in the world who are at least dimly aware of the process that supports them and of the struggle to dominate it. All of us are included among the most wide awake of those millions. Perhaps our awareness can save the world from a rebirth of slavery and a long bloody fight back to freedom. Perhaps our awareness can rekindle the flame that once drove us — the passionate belief that man as an individual is supreme and is entitled to life, to liberty and to the pursuit of happiness. But this knowledge will do us no good if it is not backed by courage and the steadfast determination not to lose our freedom by direct assault or through the creeping paralysis of compromise.

Let us fix this pattern and this conflict in our minds as we work across the tables of this conference. As issues arise let us place our decisions on the side which will preserve our control of our lives. Let us submerge our selfish fears for the pennies we may lose by these decisions in our determination not to lose our greatest treasure.

Investment by Government

When our politicians talk to us about investment by government, remember the pattern. No government has any capacity to invest unless it draws taxes from the earnings of its people. Those taxes rest as an expense on the process of work, earnings, savings and investment. They reduce the earnings, curtail the savings and discourage the investment of what remains. We should raise our voices in protest unless we are among those who prefer the judgment of government on what use should be made of our savings.

When our politicians and diplomats propose that governments guarantee individuals who are reluctant to send their money to work abroad, remember this pattern. Remember that the reason why an investor is reluctant to commit his savings to foreign investment will remain even though our government makes all our people unwitting and unwilling co-insurers of our venture. If you were to be the prospective recipient of such capital as might be prodded abroad by such guarantees, remember that you will also be the victim of the unsound policies that made that capital reluctant to go alone. Remember that our guarantee will weaken whatever pressure you are exerting against such policies.

When our politicians talk to us of "dollar shortages" don't be misled. There is no place in the basic process of our lives for the magic of getting something for nothing. I too have often faced a dollar shortage when I wanted more than my earnings would permit me to buy. The only ways I ever found to solve my dollar shortages were to earn more dollars, buy a cheaper car or do without.

Statisticians tell me that Latin American holdings of gold and dollar exchange are today over three times what they were in 1938. You and I have more dollars today than we had a dozen years ago, but we also want more things than we wanted then. We must, I am sure, solve our similar problems in the same way. Certainly no government can solve them through some alchemy of exchange control even if we continue to surrender our earnings and let it try.

Free Markets and Exchange Controls

In all the matters with which this conference is wrestling, no single issue is as important as the question of whether the free market or the guesses of government should determine the relative values of our currencies.

It is, of course, an economic absurdity to talk of a government fixing values for its currency in terms of other currencies. Governments can fix rates of exchange at which they can compel their own citizens to surrender to them foreign currencies in return for their own. But the jurisdiction of a government stops at its border and it cannot compel those outside to accept an artificial value for their money.

When England pretended that the pound was worth $4.03 outsiders would not accept a valuation double the amount that they thought it was worth. Such an artificial rate was inconsistent with real value and savings would have been cut in half at once had they been invested in England. Had it not been for large gifts of dollars, which international investment might have made unnecessary, the fiction of a $4.03 pound would have been dropped long before September, 1949.

Now England has plucked a new and equally artificial rate out of the air and it too represents no real value for the pound. So-called "devaluation" is no cure and is no more than the substitution of a new guess for an old one that didn't work.

There has been no more insidious device created in all the history of international finance than the device of official valuation of exchange. Schacht used it to make foreign creditors of Germany pay Germany's foreign debts. It has been constantly used as a means of forcing exporters to subsidize importers. It has made a farce of reciprocal tariff agreements and, in its most flagrant multiple rate form it has become both a revenue measure and a lever to direct and control a nation's international trade. But, from the point of view of any nation that uses it, its greatest disservice is its discouragement of foreign investments.

I firmly believe that our nations cannot hope to rebuild world trade or expect to revive international investment until we drop the false front of official rates of exchange and allow the free market to evaluate the ever-changing relationships between our monies. Free convertibility of currencies will alter the unrealistic values to which governments have been desperately clinging in opposition to the basic pattern of our life. But it will release forces which now restrain international investment. It will base world trade once more on honest values determined by the open market and will in time reestablish the trust without which there can be no international investment.

Above all the return to exchange convertibility at a free market valuation will strengthen individual control of enterprise and strike a blow at state control. We all realize that an adjustment back to a free exchange may require temporary restrictions on importation and temporary measures to prevent movements of money abroad and thus cushion at the start the demand for foreign exchange. Such temporary compromises may be necessary, but the compromise which must not be continued is the artificial valuation of exchange rates. On this issue there is, in my opinion no middle ground.

Sound Currency Needed

If our basic pattern of life is to continue in our individual control, government must by common consent provide it with a sound currency in which our savings may collect and through which they may be transferred into investment. When governments lose sight of their obligations to provide that kind of a currency for those purposes and turn to the use of money as a means of manipulating the process and our decisions, we stand near the grave of private enterprise and personal freedom. Our applause would be unseemly.

On these reasons alone we can take our stand. But some may distrust what they will call theory. They may seek proof. They can have it, for with great courage, one of us has provided an example.

Last November Peru abolished its official rates of exchange, the licensing of imports and virtually all its internal price controls. Its currency has since been valued by the free market. This working example deserves the most earnest study of this conference and its results confirm these opinions.

This talk on "many things" has continued long enough.

If Lewis Carroll were here he would no doubt greet its end with another verse.

"The time has come,
The walrus said,
To put the record straight;
That savings go,
Where they can grow,
Least hampered by a State."

*An address by Mr. Truslow during a dinner in honor of Delegates to the Fifth Plenary Meeting of the Inter-American Council of Commerce and Production, Santos, Brazil, April 25, 1950.

A Philosophy of Investment

By BRADBURY K. THURLOW
Analyst, Minsch, Monell & Co.,
Members, New York Stock Exchange

Picturing investor's situation as one of confusion growing out of conflicting plans and systems offered for his benefit, Mr. Thurlow defines elementary considerations and investment terms to establish basis for some agreement. Says successful investment for individual consists in keeping the goods-money equation in balance. Distinguishes between active and passive investment and concludes "in investment no one should expect something for nothing."

As we have made our way during the last 50 years through a series of ever more frequent economic cataclysms we have assembled for our posterity a mass of statistical material from which we have so far devised a theoretical quasi-science (economics), and a practical, but often conflicting, collection of maxims for financial success (investment guidance). Since the second of these is our business, it will be our primary concern here. Today's investor faces very real problems. Not the least of these is choosing for himself some form of guidance by which he may achieve a solution which will be both profitable and emotionally satisfying. In choosing, his difficulty will lie not in the lack but in the profusion of plans and systems offered for his benefit. In fact, if he considers seriously even a fair sampling of these systems, he is likely to find that they contradict one another to the extent that he will no longer be able to make up his mind on any investment matters. This is the worst of all traps he can fall into. We propose here to outline for the investor a simple concept by which he can make up his mind first and then take advantage of the refinements of any or all systems which may take his fancy. Since we are dealing with a very fundamental principle, we must begin with a few considerations which are so elementary that to many they will appear childish. However, we must arrive at some agreement on terms in order to establish a basis of understanding.

B. K. Thurlow

Elementary Considerations

First we shall define investment as the handling of capital and we shall divide capital into two categories: money and goods. Money and goods together represent the sum total of all capital, which changes only slightly if at all over the years as destruction of property is balanced by increased production, population, technology, etc. If the sum total of all capital does not, for our purposes, change, then it follows that we have an equation of goods and money. If goods increase in value, money at the same time and to the same degree must decrease in value, and vice versa. If, for example, there are a billion dollars of goods, measured by a billion dollars of money, and the government prints and distributes another billion dollars of money, then we may say that the goods become worth two billion dollars or that the two billion new dollars are worth one billion old dollars. So far this is elementary. Now, let us return to the problem of handling capital, i.e. investment. On its most general, theoretical level, successful investment consists merely in keeping for the individual both sides of the goods-money equation in balance.

To the individual, however, this principle finds more concrete expression. To him successful investment may have an active or passive meaning. Its passive meaning will be to use capital in such a way as to perserve its real value and provide some reward in return for the risk of failing to do so—in other words, passive investment aims at maintaining a standard of living. Active investment, on the other hand, aims at improving a standard of living and is consequently willing to assume greater risk. Speculation is a degree of active investment to which is usually added the additional requirement that the desired improvement take place within a given period of time. From now on we shall concern ourselves with the two forms (active and passive) of investment.

Active and Passive Investment

The investor, as we have already said, will constantly be trying to protect or improve his standard of living. He will be principally interested in the value of his capital: his income relative to his cost of living, and his net worth in terms of its purchasing power. He will be most interested in avoiding, or taking advantage of, developments which will affect the value of his capital. Therefore, his first questions will be: "What is the basic trend of the economy? Is it toward inflation or deflation? Is money a better or worse investment than goods?" His answers to these questions will determine how much of his capital he will apportion between money and goods. In an inflation money is one of the least desirable capital assets; in a deflation one of the most. Everyone must, of course, have some money and some goods, but we are discussing that amount of free "investable" capital which may be moved from one to the other at will. Most investors understand that cash, bank deposits, bonds, insurance policies, and the like, are forms of money, but their understanding of the investment forms of goods are less clear.

Equities Now Attractive

We may summarize these roughly as commodities, real estate, and equities. Obviously, if the basic trend of the economy is inflationary, the value of money is declining and goods constitute the only "safe" or "attractive" investments. It is therefore a good idea for the investor to understand their legitimate investment characteristics. Basically, a rise in the price of goods is equivalent to a fall in the value of money. Most goods, in a long inflation, therefore, should tend to rise about the same amount, but some goods move sooner than others, so that for the investor the primary consideration in buying investment goods will be price.

A glance at price changes for the last 10 years shows that real estate and commodities have approximately doubled in price. Total assets and earnings of corporations have also tended to double, while the average value of the equities representing these assets and earnings has risen only about 33%. This comparison suggests that at present equities may be the most attractive form of investment goods. The fact that certain equities showing a doubling or better of total assets and earning power over the past 10 years have not shown even the average 33% rise in price, implies that excellent investments are to be found among equities merely by the simplest and most fundamental applications of financial logic.

Equity Investment Determinants

The investment value of an equity is determined by the relationship of its price to at least three considerations: the basic economic trend (inflation or deflation), the financial strength of the company (balance sheet condition), and the company's earning power, considered on a permanent basis and in relation to trends in industry and the general economy. The past price history of it and stocks in its industry should indicate approximately proper investment relationships. The best equity investments should be those in which the market price bears the lowest relationship to the estimated investment value.

Having arrived at a judgment by this method, the investor will find himself remarkably free from the conflicting worries caused by empirical systems such as a formula timing plans, price-volume ratios, the Dow Theory, etc., which, in effect, short-circuit analytical thinking by substituting an effortless numerology guaranteeing success. (The moral and logical fallacy of such plans should arouse investor's suspicion in the first place. Investment is the last field in the world in which one should expect something for nothing. On the other hand, one certainly need not be an expert, as proponents of systems always threaten, to apply the above wholly logical criteria to one's investments.) The above method is nothing more or less than considering first things first. The main economic trend is not difficult to diagnose as long as it is not too closely followed. For 17 years money has been growing cheaper and there are no signs that the government is going to stop giving it away. Balance sheet and earnings statement analysis requires a little study but is not "a job for an expert." Graham and Meredith's little book, "The Interpretation of Financial Statements" (Harper's $1.25), will clear up most of the problems in a couple of hours.

Almost any brokerage house will supply without charge fairly complete statistical information on a company or industry, showing the past record and present trends. Projections of the future trends in earnings and operations are so difficult even for the "best informed sources" that we consider this (forecasting) element as a luxury item in our philosophy of investment. If the price indicates that the investment value is sound, according to our above mentioned principles of analysis, the future earnings will in most instances take good care of themselves, even when the whole weight of informed opinion thinks otherwise.

This study has been necessarily brief insofar as it has attempted to summarize in a few paragraphs the subject matter of many thousands of treatises. The keystone of investment thinking is the concept of relative value. The means for determining relative values are in themselves simple but require a certain amount of individual effort. Whether the investor is seeking to maintain or improve his standard of living, he should be governed by the same principles, i.e., some logical and consistent method of determining how he may employ his capital to his best advantage and secure his independence from the psychological snares and traps of emotional, uninformed investment public opinion. In short, he should have a philosophy of investment.

Canadian Securities

By WILLIAM J. McKAY

At the turn of the year the Canadian economic horizon was by no means unobscured. The outlook in fact gave little cause for careless optimism. Unemployment figures were mounting. Exports to this country were already at an exceptionally high level and grave fears were entertained concerning Canadian outlets in British markets. The dim prospects also for a continuance of large-scale ECA offshore purchases in the Dominion further complicated the situation.

A review however of current statistics and developments does much to dissipate the fears that were entertained earlier in the year of an imminent economic crisis. The March foreign trade figures reveal that Canada increased her sales to this country for the third successive month this year. While exports to U. S. markets have increased the import figures show a notable decline. On the other hand the Dominion's trade with the United Kingdom has taken a remarkable turn: for the first time in many years Britain has been able to register an export surplus in trade with Canada.

These constructive developments are highly gratifying from the Canadian point of view, marking as they do a surprisingly early achievement of Canadian long-range economic objectives. With the breakdown of the time-honored U. S.-Canadian-British trade triangle as a result of sterling inconvertibility, Canada has been obliged to reorient her economic policies. No longer could the Dominion depend on sterling surpluses to offset chronic deficits in trade with this country. The only real solution of the new problem was provided by the increase of exports south of the border, and on the other hand a substitution to some degree of imports from the United Kingdom for those previously obtained from this country.

It would appear that this formidable task is now at the point of accomplishment, and Canadian trade for the time being at least is on a sounder basis than ever before. It is true that the September devaluations have played a large part in the successful rechanneling of Canadian trade, but recognition by the Dominion authorities of the vulnerability of the previous trade position has enabled Canada to take full advantage of the opportunity afforded to bring about a healthier balance of her international trade. Governor Towers of the Bank of Canada in the Foreign Exchange Control Board's 1949 annual report aptly emphasizes this fact when observing that "since the likelihood of our being able to continue to sell a reasonably large volume of goods to sterling area and Western European countries depends to a great extent on their ability to export more to this hemisphere, we must welcome a step which should enable them to increase their exports. Moreover, the improved competitive position of sterling area and Western European producers as compared with U. S. producers will provide an incentive for Canadian importers to shift from U. S. to overseas sources for their imports. To the extent that such a shift occurs our balance of trade with each of the areas will be improved."

This notable progress in the direction of economic stability could hardly have been accomplished however had the fundamental inherent strength of the Canadian situation not exerted its powerful effect during the past testing period. Alberta oil, Quebec titanium, Arctic uranium, Steep Rock iron, and numerous new discoveries of precious and base-metals and other minerals, have once more provided invaluable support to the Dominion's economy at a time when most urgently needed. When it is considered that, despite the spectacular nature of the mineral discoveries of the past few years, only the fringes of the fabulous 2 million square mile area of the Canadian Pre-Cambrian Shield have as yet been prospected, the possibilities of future Canadian economic development appear almost boundless.

During the week there was negligible activity in the external section of the bond market but there was evidence of renewed interest in the new Alberta issues, this is hardly surprising in view of the growing financial strength of this wealthy province. The internal Dominions eased slightly to 11¾%-11⅜%, while the corporate-arbitrage rate at 15¼%-14½% was virtually unchanged. Stocks continued their long-sustained advance led by the industrials, among which Massey-Harris, Ford A, and Brazilian Traction were notably conspicuous. The golds were also actively traded with Giant Yellowknife and Elder Mines registering sharp gains. Base-metal issues maintained their position following the recent increases in metal prices: Anacon Lead reached a new high and Buffalo-Canadian in the new Gaspe copper area was also in particular demand. Western oils were irregular but Royalite and Imperial Oil forged ahead in heavy trading.

American Securities Opens Chicago Branch

Emmett F. Connely, President of American Securities Corporation, announces the opening of a new office of the company in Chicago, Ill., at 111 West Monroe Street. Philip T. Collins will be manager of the investment company's mid-west office.

Mr. Collins' association with American Securities Corporation was previously reported in the "Chronicle" of May 4.

"President Truman's Travels"

By HAROLD E. STASSEN*
President, University of Pennsylvania

Terming President Truman "one of the cleverest politicians ever to occupy the White House," former Republican Party Presidential aspirant accuses Chief Executive of lack of idealism. Blames his dilatory foreign policy as in part responsible for advance of Russian domination. Says purpose of President's proposed trip is to obtain a puppet Congress, and denounces as unnecessary his interference with private business as well as proposed Federal health insurance program. Foresees Republican victory in Fall.

The 1950 elections may well turn out to be the most important Congressional elections ever held. If our Republican Party makes major gains, it will signalize a rebuilding which this time, I am confident, will not stop short of complete national Republican victory.

Harold E. Stassen

But we must neither underestimate the difficulty of this Congressional campaign nor its importance. President Truman has already indicated that he will take an all-out personal part in the Congressional elections. This should not be taken lightly.

President Truman is the cleverest politician ever to occupy the White House. And he is also the worst President ever to occupy the White House.

A Graduate of Prendergast School

"He is a post graduate of the most effective political school in America—the Prendergast School of Kansas City, Missouri. From that school he knows the methods of attacks on opposition, of claims for all improvement, of dodging blame for things that go wrong, and marshalling votes through organization.

He will demonstrate his political aptitude next week on the trip that he is taking across the country. With a carload of his political supporters, he will travel across the nation in a special train, with his trip paid for out of the taxes of the people. He will go out to the Grand Coulee Dam; the plans for which were prepared under President Hoover; the construction of which was carried on by President Roosevelt; the payment for which was voted overwhelmingly by both Republicans and Democrats; and standing at the edge of that Dam he will strike a pose and act as if he built it with his own little Missouri hands!

He will act as if he came to the State of Washington for a ceremony to start the generating power at the Dam, whereas in fact, he is going there to try to generate more political power behind his Democratic Senator of that State who is in trouble because of playing on the sands of Hollywood instead of working at his seat in the Capitol.

Going to and coming from the Dam, he will just happen to stop in the Congressional and Senatorial districts where he hopes to salvage a troubled Democrat incumbent or weaken a present Republican Congressman or Senator. With the great advantage of naturally having the front page of every newspaper in America, and ample quantities of radio and television time, he will do a very, very clever and effective job of campaigning.

*An address by Mr. Stassen before the Women's Auxiliary of the New York Republican County Committee, New York City, May 2, 1950.

It is strange but it is true that the methods of the foreign economic socialists and of the domestic political bosses are very similar. Both make extravagant, extreme, and rosy promises. Both collect heavy taxes from the people. Both give less than they promise. Both keep a lot of the people's money for themselves in the government.

The tragedy for America is that the same school which made Truman such a clever politician also made him such a bad President. This is true because it is a school whose graduates are lacking in a sense of idealism and who minimize the importance of honesty and integrity. This lack of the sense of the importance of idealism is what has made our postwar foreign policy so negative and weak, and has caused us to lose so much ground in the cold war with the Soviet Union. The idealism of this nation is the most dynamic force in the world. But that idealism has not translated into an affirmative, hard-hitting, inspiring foreign policy under President Truman's administration. Thus it is, that with a policy of holding the line, of waiting for the dust to settle, of containment, the United States is in part responsible for the tremendous advance in the cruel and dictatorial domination by the rulers of Russia. In the brief space of five years this Kremlin clique has established dictatorships over six hundred millions of people in Poland, in Rumania, in Czechoslovakia, in Bulgaria, in Eastern Germany, in Hungary and in China.

Administration's Lack of Honesty and Integrity

The Administration's lack of appreciation of the importance of honesty and integrity is shown in the flagrant association of the President in the White House with men like Ed Pauley, who made a million dollars in speculating as an insider upon the food of the nation; and John Maragon, who accepted funds from a perfume company while officially representing and being paid by the United States Government in Greece. These are but small examples of a situation that exists and which tends to undermine the morality of the nation and contribute toward the record high total of gambling and of illicit funds in America today.

In fact, one of the greatest difficulties which our Republican Party faces is the fact that the people of the country are reluctant to believe that the corruption and the communism are as bad under President Truman's administration as they really are.

Foreign Policy Attacked

Furthermore, if we analyze the record of the Truman administration, we find that in those situations in which he had his own way our country is in a bad way. He had his own way at Potsdam without any Republican participation and without any Congressional participation. The result has been very, very bad for the position of our country in Berlin, in Austria and in the entire Balkans. It has been a part of the cause of losing the cold war.

He had his own way in Asiatic policy without any participation in the forming of the policy by the Republicans and without any participation by Congress. The result has been very, very bad and our country has also lost much ground there in the cold war.

He wanted to keep control over all the housing materials in this country after the war. He wanted to keep control over all new building. But Congress over-ruled him and freed the builders, retaining only the loaning programs which had support by both parties. The result has been that the private builders and the building craftsmen of the country, aided by the suppliers and lumbermen, are now turning out a record total of houses, and we are on the way to real improvement in the housing supply in this country. It was the action of Congress in over-ruling President Truman that led to this progress. If President Truman had his way, the whole building industry would still be in a snarl. There would still be the necessity of knowing somebody who knew somebody who could call Harry Vaughan to get a permit approved for building material.

He tried to have the government go into the steel business. Congress over-ruled him and left the steel industry in private ownership, and it is today producing more steel than ever before and is rapidly catching up with all the requirements for the country, with enough left over to help rearm Western Europe.

He wanted to bring agriculture under the grip of his administration but Congress at least partly over-ruled him and the farmers have produced an abundant supply of food so that food prices are now coming down to the consumer and we are able to supply needs throughout the world.

Republicans Can Meet Situation

We Republicans can meet the 1950 situation brought about by the political cleverness of the President and by his use and misuse of the great power of his office, only in this three-fold way:

First, by fighting back vigorously and hitting hard in the exposure of the conditions of his administration. Second, by bringing forward definite, sound, constructive measures to meet the problems of our country at home and abroad. Third, by organizing and working and voting with a thoroughness and a drive such as we have never shown before.

Of these three, I count as the most important the bringing forward of constructive solutions. We must think through and study carefully; and then with ingenuity and with forthrightness present definite, sound, and constructive measures for the improved health of the people, for an agricultural program, for more and more jobs at good wages, for streamlining the government, for saving money and keeping down taxes, for winning the cold war with Russia, and for advancing the cause of freedom of men throughout the world.

The Health Insurance Program

Let me discuss in detail tonight just one of these issues. You all know of the Truman-Ewing proposal to have the government take over the health system of America; to put all doctors and hospitals under the thumb of a five-man board appointed by the President; to bring politics into the relationships between patients and doctor, patients and hospitals; and in general to copy the British and German systems of socializing medicine.

We know President Truman's proposal is bad. The majority of the people now know it is bad. The British experience is proving that what looks in theory like a grand scheme turns out to be a sad mistake which leads to more medical care of a lower quality for more people at a higher cost with more deaths and increased illness throughout the nation.

But it is not enough to recognize the evil of President Truman's proposal. There are very real problems in health in America. Serious illness or accident to a member of a family in the working or middle income group is an economic catastrophe. There are not enough doctors today and not enough opportunities for young men to study medicine. Many of our hospitals are in financial difficulty. Many areas of the country are entirely without a doctor or a decent hospital. We have the best health record of all the major nations in the world, but it is not good enough for America.

These problems must be met without making the mistake of President Truman's socialized and political medical program. They should be met with the cooperation of the medical profession. They should be met by working with the doctors and the nurses and the hospital administrators. I believe our Republican Party might work out, with the professions involved, a program to meet the problems in a modern, effective way without making the mistakes of the British or Truman programs. Something like this might be done. We could use the example of the very successful Federal Deposit Insurance Corporation, which Senator Vandenberg initiated, and which has secured the bank deposits of America without having the government take over the banks. We could establish a Federal Health Reinsurance Corporation to underwrite the various Blue Cross and other local voluntary insurance systems developed by farm cooperatives, unions and local groups, so that these groups could offer comprehensive complete coverage for the people, at moderate cost. This Federal Health Reinsurance Corporation would thereby have a relationship only with the local insurance associations and would not bring the government in between the patient and the doctor or the patient and the hospital.

Contracts such as that recently entered into by Bethlehem Steel should then be encouraged through which the employees and the employer join in paying the health insurance premium and under which splendid protection is given to the workers and their families. Careful expansion for insurance coverage for those who are self-employed or are not on social security could also be worked out through these voluntary local associations. In this method, within a brief space of time, with the expenditure of a fraction of the amount of money, we could have in operation a system giving better quality of medical care at lower cost with better results than any of the socialized schemes that have been advanced.

Steps should further be taken to assist in establishing doctors in those poor or remote areas of the country that cannot now support a doctor in private practice. These are the same territories that need the public health services of vaccination, immunization, examination of school children, inspections for health and sanitation. Therefore, a moderate, careful program of paying a small part-time salary to a young doctor to go into those territories to practice privately, but to give a part of his time to public health activities, would lead to an advance of health in these areas.

The further extension of the Hill-Burton Act, which is a sound bipartisan measure, to assist in the construction of local hospitals and local health centers should also be carried forward. Likewise some moderate assistance in the expanding of medical education should be given: medical education is very expensive to administer because on the average, as our experience at the University of Pennsylvania, where we are operating the oldest medical school in this country, shows, it costs about $2,700 per student per year to give a good medical education. Since the tuition is just $700, there is a large difference to make up from other sources. That is the principal reason that medical education is so difficult to attain. Some steps should be taken to expand these opportunities, particularly in the South where the present chances to study medicine are entirely too limited.

This expansion likewise should be done without any discrimination as to race or color or creed. By measures such as these, and by increasing private support through philanthrophy, through keeping inviolate the local control and the high independent professional standing; and by pushing on with health research, we can keep America in the very forefront in the health of the people of the world, steadily improving in every respect. From steps such as this we should work out a Republican health program that will be sound for the people and will be recognized as such and will be supported by them. In a similar way we should develop programs on the other major problems.

Predicts Republican Victory

A Republican Party, ready to serve the people of this country and fighting hard against the weakness and deficits of the present administration, will become a victorious Republican Party.

Angry and petulant about Congress' refusal to obey his orders, Truman is now taking to the stump to try to get a puppet Congress. He knows how to pull the political strings. But I believe that the American people want men and women who stand on their own feet in Congress, and they will refuse to send Truman's puppets to Congress.

Exchange Firms Govs. To Hold Spring Meeting

The Board of Governors of the Association of Stock Exchange Firms will hold its Spring meeting at Cleveland, Ohio, May 22, 23 and 24, it was announced by Benjamin H. Griswold, III, of Alex. Brown & Sons, of Baltimore, Association President.

The Association of Stock Exchange Firms which is the trade association of members and member firms of the New York Stock Exchange holds three of its four quarterly meetings in different financial communities. This meeting will be the first to be held in Cleveland.

Edward P. Prescott, partner of Prescott & Company and Cleveland Regional Governor of the Association, Latham W. Murfey, Curtiss, House & Company and Cleveland member of the New York Stock Exchange Board of Governors, and regional members of the Exchange and Association will be hosts to the Association Board which represents 18 different American financial communities from Coast to Coast.

Business sessions will be held mornings and afternoons of each day, and on May 22 the Governors will be the guests of the Cleveland Graphite Bronze Company in the late afternoon and dinner guests of the Cleveland Electric Illuminating Company. The Cleveland meeting will be highlighted Tuesday evening at the Hotel Cleveland when the Cleveland financial community will join the Board at dinner.

It is expected that Emil Schram and Robert P. Boylan, President and Chairman of the Board of Governors of the New York Stock Exchange, will attend the meeting.

With Walston, Hoffman

PHILADELPHIA, Pa.—Walston, Hoffman & Goodwin, members of the New York and Philadelphia-Baltimore Stock Exchanges, announce the association with them of John Madison Miller as registered representative in their Philadelphia office, 1420 Walnut Street.

Mutual Funds

By ROBERT R. RICH

Keystone Joins Ranks Backing Dealer Distribution

Keystone Company has joined the ranks of mutual funds who are backing independent retail investment firms as the mechanism for mutual shares distribution, as contrasted with certain Fund sponsors reported to be considering the formation of their own retail outlets.

In an open letter to investment firms, headed, "We Like Dealers," the Keystone Company stated, "First of all, we have no idea of conducting our distribution except through independent retail investment firms. We have had no conversations with any outside group, have never sold at retail and have never considered selling at retail."

Keystone further commented: "We would like to state unequivocally that we believe that any step in the direction of taking the securities business out of the hands of the men who have made it their life's work would be a long step backward—particularly for the investing public."

Some controversy was created in the industry by an article in the New York "Times," Sunday, April 16, which stated that certain mutual fund sponsors were considering the formation of their own sales forces to retail their shares.

Last week, Walter L. Morgan, President of Wellington Fund, in an open letter to security dealers, wrote: "The public has been and is best served when the retail sale of Wellington Fund shares is effected by a nationwide group of investment dealers."

Investment Trust of Boston Amends Trust Declaration

Shareholders of the Investment Trust of Boston have voted to amend the Declaration of Trust to permit bank borrowings as provided by the Investment Company Act of 1940. The Investment Trust of Boston is one of the oldest mutual investment funds in this country which specializes in leverage.

Stock dividends of 200% and 300% were paid in 1936 and 1946, respectively. A $10,000 investment in 1931 has paid over $30,000 in cash dividends to date, the Fund comments, and has a market value of more than $100,000 at the present time.

In the earlier years of the Trust's operations, leverage was obtained by holding securities of companies which had large senior obligations. Currently, leverage is obtained by conservative bank loans, the proceeds of which are invested in sound investment quality issues. By borrowing at a materially lower rate than the dividend income from such investment issues, the dividend income to the shareholders is increased.

Shareholders have an interesting tax advantage due to a reserve for taxes on unrealized appreciation which is not included in the liquidating value. As a result, shares of the Trust may be acquired at a discount from the market value of the securities owned by the Trust.

Custodian of the Trust is the Old Colony Trust Company of Boston. The trustees are Ernest Henderson, Robert Lowell Moore, Chandler Hovey, George B. Henderson and Joseph Furst.

Wellington Fund Makes Fourth Fee Reduction

Wellington Fund has reduced its management fee to ¼ of 1% on all assets over $120,000,000, Walter L. Morgan, President of the Fund, announced to the "Chronicle."

Remarking that this was the fourth management fee reduction, Mr. Morgan said, "Some years ago, when we were small, our fee was as high as 1% of the assets. Of course, this was necessary just as it may be necessary in some of the other small funds today, because it costs a certain minimum dollar amount to establish and maintain an adequate investment management. On the other hand, it seems to me that as a fund gets larger and larger the expense ratio should properly decrease and thus as more and more shareholders join a fund they can do so on a reduced cost basis."

Mr. Morgan noted that on the basis of last year's total compensation to officers and directors from the management fee, the costs amounted to $2.25 per share on a $1,000 investment, or only 21c a month.

Dividend Shares Reports

Total net assets of Dividend Shares, Inc., a diversified investment company under the management of the firm of Calvin Bullock, amounted to $78,084,552 on March 31, 1950, compared with $75,433,305 three months earlier and $61,865,543 on March 31, 1949. Net asset value per share on March 31, last, was $1.58 on 49,528,035 shares of capital stock; on Dec. 31, 1949, was $1.54 on the 48,822,032 shares then outstanding; and on March 31, 1949, was $1.38 a share on the 44,652,040 shares outstanding on that date.

Market value of securities held on March 31, 1950, was $11,281,690 greater than their cost to the company. Such unrealized appreciation compared with $10,100,502 as of Dec. 31, 1949, and $2,351,966 on March 31, 1949.

Union Trusteed Reports For Six Months

Net assets of Union Trusteed Funds, Inc., on March 31, 1950, were $6,308,177 compared with net assets of $7,360,086 on Sept. 30, 1949, according to the six months' report issued by H. I. Prankard, 2d, President.

During the six months ended March 31, 1950, "market prices for both bonds and stocks advanced on balance," Mr. Prankard said. "As a result, the net asset values of all five classes of stock of the company were higher on March 31 than they were on Sept. 30, 1949, the end of our last fiscal year."

Net asset value of Union Bond Fund increased to $18.37 on March 31 from $17.43 on Sept. 30; Union Bond Fund A went to $22.02 from $20.87; Union Bond Fund C climbed to $6.46 from $5.81; Union Common Stock Fund went to $7.39 from $6.83, and Union Preferred Stock Fund increased to $19.99 from $18.28.

"Operating expenses (exclusive of taxes)," said Mr. Prankard, "continued low; there were at an annual rate of 69/100 of 1% of the average net assets for the period just ended. For the same six months a year ago, the rate was 73/100 of 1%."

Texas Fund Hurdles Two Million Dollar Fence

Net assets of Texas Fund, Inc., crossed the two million dollar mark on April 27, probably establishing a new record in the industry for growth of a mutual fund. Shares of the Fund were first offered Oct. 4, 1949, at which time the net assets were $153,358. First million of assets had been reached by Jan. 17, 1950.

The announceemnt that the Fund had crossed its second milestone in less than seven months was made by Victor Dykes, President of Bradschamp & Co., general distributor of Texas Fund, Inc., who pointed out that the net asset value of the shares has increased from $9.79 on Aug. 31, 1949, to $11.41 on May 2, 1950. He stated that the first million was purchased largely by investors in the State of Texas, but subsequent sales have been made over a wide area in those states where shares of the Fund are qualified. There are over 736 shareholders in 22 states. Noteworthy is the fact that the Fund has repurchased only 600 shares out of 177,472 shares sold.

He added that inquiries from all over the United States are clear evidence of the interest of investors in the fast growing and dynamic industrial Southwest.

There has just been announced a Dividend Reinvestment Plan which makes it possible for persons owning upwards of 50 shares of Texas Fund, Inc., to reinvest cash dividends in shares of the Fund at net asset value.

Proposes Savings Banks Invest in Stocks

William H. Harder, Vice-President of Buffalo Savings Bank, suggests mutual savings banks pool part of funds to purchase equities, and thus provide greater investment diversification, increased industrial productivity, and more jobs.

In a panel discussion on Bond Investments at the mid-year meeting of the Savings Banks Association of the State of New York in the Waldorf Astoria Hotel in New York City on April 21, William H. Harder, Vice-President of the Buffalo Savings Bank, proposed that mutual savings banks be permitted to extend their investments to include corporation equities. Mr. Harder claimed this action is desirable to provide greater diversification, to increase the flow of money into the equity market and to employ savings bank funds usefully in increasing industrial productivity and new jobs in the community.

Mr. Harder pointed out that if 5% of savings bank funds were permitted to flow into the equity market it would mean a potential of $600 million for that purpose and suggested that a practical method would be through a mutual investment fund set up and operated by the savings banks.

"Experience of other investors of trust funds during the last 15 years of low interest rates has helped to establish the merits of equity securities as investments," Mr. Harder stated. "The abnormally wide spread between the yields on high-grade bonds and the return on equities has made it logical to invest in equities. Also, the long-term trend of common stock prices as measured by the Dow-Jones Industrial Averages going back to 1897 has been upward at the rate of 3% compounded annually. Savings banks may not invest in convertible debentures, but if the prices rise due to the convertible feature, the yield becomes so low the bank is practically forced to sell, whereas if converted a good yield would generally be possible.

"Money which formerly flowed into the equity market now flows into savings institutions," Mr. Harder claimed, in pointing out that wage earners' wages have nearly doubled whereas executive salaries have shown little increase and are subjected to heavy income taxes. "The people who are now getting the bulk of the money that could be used for equity capital now are savings bank customers, and their money is going into savings bonds and savings institutions. The result is the equity market is starved."

As an example, Mr. Harder cited the case of Cleveland Electric Illuminating Co. which in selling a new issue of common stock last Spring was unable to market it successfully at a yield below 6%. At the same time the company's 3% bonds due in 1970 were selling to yield 2.63%. "This indicates that there is a plethora of institutional money for bonds but the supply for equities is deficient."

As the final point, Mr. Harder pointed to the fact that large amounts of capital are required if industry is to continue to grow and provide jobs. "To provide a reasonable balance between debt and equity capital it appears necessary that the savings institutions help out. There is no question that if we were able to perform a service of this sort and still make a good investment with further diversification, it would be a real and lasting service."

How Stockholders Can Combat Federal Attack on Business

By GEORGE V. HOLTON*
Chairman of the Board, Socony-Vacuum Oil Company, Inc.

Prominent industrial executive recites to shareholders as flagrant examples of bad government policies: (1) adding to already staggering public debt; (2) unjustified attacks on big business; and (3) interference in every phase of business life. Says reversal of bureaucratic thinking regarding business is needed and urges management, stockholders and other well-wishing individuals to contest false charges against business.

One of our American prerogatives is to point out the imperfections as we see them in the way the other fellow is handling his job. I hope my engagement in this pastime will be received in the friendly and constructive manner intended. I regret that the situation facing industry is so serious as to call forth criticism of the government at a time when a united front against world conditions is so desirable. Unfortunately, this country has been kept in a state of some sort of emergency for the last 20 years so the ideal time for such criticism has not presented itself and seems ever further in the future.

George V. Holton

Neither the hour nor my inclinations permit my enumerating the many things government is doing and advocating which constitute this peril to which I have referred. Your own experience and intelligence must tell you what these things are, but I will cite two or three flagrant examples.

Foremost, perhaps, is the disposition of the government even in this so-called plush period to add rapidly to its already staggering debt. You and I know that as individuals we cannot continue to spend more than we take in without going broke. Neither can the government. We can, of course, take no exception to necessary spending. We do resent the waste and extravagance which persist year after year and the handouts which are so attractive to the recipients. The government just does not have the income to meet all this expense. It takes all it thinks the traffic will bear from business, and from you and me individually, and even by indirection from the very people who think they are getting something for nothing. It does so by means of income taxes and those other levies that raise the cost of everything we buy. For the large deficiencies it gives IOU's on future generations. In only two of the last 19 years has the government lived within its income, it is in the red now and a huge deficit is forecast for the next fiscal year. How can the nation's business or the nation itself long survive under such conditions?

High government officials tell us that we are now blessed by living in a period of the country's greatest prosperity. If Socony-Vacuum were to give its employees and management all the wages and salaries they ask for, were to pay the government all the taxes some of the politicians think it should receive, were to sell its products at such prices as the buyer might himself set, and then pay its stockholders all the dividends some have asked for, it might seem to some of us for the moment that everyone concerned was better off, particularly if we were to go out and borrow from the banks the dollars to pay for all these additional costs. However, I do not believe very much support for this view would be reflected by the resultant stock market quotations for our stock.

Attacks on "Big Business"

Then there are the increasing attacks on big business. Unquestionably, small business enterprises contribute as much to the well-being of the nation as do the big ones. One supplements the other and neither can survive without the other. I don't even see how the terms can be defined other than very generally. Together they make a team, a good team as evidenced by the accomplishments of this country during war and peace. Yet there are those in and out of government who would have us believe there is something inherently evil in bigness as such. They refuse to admit that there are some things which because of their magnitude and complexity only large companies can successfully undertake. If someone loses a competitive race, these people accuse the winner of trickery or worse, and never admit that the result may have been due to lack of intelligence or hard work on the part of the loser. They want the handicaps arranged so that the slowest horse will at least get a tie. They would not have a major and a minor league, and every ball Joe DiMaggio knocked over the fence they would rule a foul until the sand-lotter on the opposing team knocked a couple farther.

In efforts to make the weak equal the strong, the pendulum is quite apt to swing too far, as can be illustrated by the rise in the power of labor unions. In their infancy they were unable to bargain effectively with management. This was wrong, but due to government's encouragement of their unrestricted growth they now bid fair to become even more powerful than the government itself. We do not believe such power can be entrusted to ambitious labor leaders any more than to ambitious leaders of industry. The theory of free competitive enterprise on which this country was founded has worked out pretty well by comparison with results achieved by other methods elsewhere and I think we would be wise to continue the trial. There will be some losers under any system. Under ours, the losers are better off than the winners under some, and here they at least get other chances to succeed. Our antitrust laws, if applied to all these problems of inequalities and inequities will provide about all the necessary rules of the game if the umpires, that is the courts, interpret the rules in accordance with the original intent of the framers instead of using them to give effect to new economic theories.

Government Smearing of "Big Business"

To oppose the current propaganda against big business invites smearing by all the epithets and accusations which can be dug up by the government's publicity people using huge amounts of the taxpayers' money to do the job. To hear these people talk you might think a corporation such as ours is run solely for its directors. I can assure you this is not so. The directors are more likely to get stomach ulcers and heart trouble than any great accumulation of this world's goods. Our company is run for approximately 160,000 stockholders, 50,000 employees and the public which buys its products under the sign of the Flying Red Horse. Multiply these figures by similar statistics for all other large companies and you will find out who really is being affected by these goverment proposals to shackle business.

These venomous and usually unfounded attacks on big business are provoking the imposition of controls which, unless thrown off, will strangle. This brings me to the third of my examples of things the government is doing that it ought not to do, and that is the government's eagerness to make plans and rules for carrying on almost every phase of our business life. We are all familiar with this planning, from little pigs to big potatoes. Most of it works out the same way. One of the troubles with planning is that the first small step which in itself may seem reasonable, inevitably leads to other and larger steps and, in the end, complete control of everything. Freedom is indivisible. Do you think a government agency can run our industry or any other industry better than the people engaged in it? We have no example to support anything but a directly contrary view. We in the oil industry must be particularly alive to this challenge. Because it is a big industry and its products are used by almost everyone, it has become a favorite target for some politicians. To them, everyone in it is a tycoon or an oil baron. Investigation follows investigation by one government agency or committee after another, even though I believe every possible bit of information which could be helpful to government is already duplicated in their records.

It is the nature of human beings to strive for whatever objectives they have set for themselves. The government official strives to get elected the same as directors do. The difference is that it comes naturally in a democracy for the politicians to feel they must cater to the masses by offering them something with immediate appeal, and of course nothing appeals like something for nothing. Actually, there is no such animal, but something for the many at the expense of the few seems always to present the same potent political appeal, particularly when accompanied by the envy which the politicians have fostered through their bitter attacks on those successful in business.

A Change Needed in Bureaucratic Thinking

Correcting the sort of things I have been calling to your attention obviously does not require any fundamental change in our government. It does call for a change in thinking on the part of many of those now running the government, or if that cannot be brought about then a change in these people themselves.

How can we help to bring about these desired changes? It is natural for you to ask why this is not management's responsibility. Secretary of Commerce Sawyer, for whom I have great respect, has stated publicly within the past few weeks that business is losing its battle by default. His remarks carry with them the encouraging implication by a man high in government that the case of business is a good one and should prevail. Some of the criticisms directed against management are justified, but business leaders are rapidly awakening to the seriousness of the situation, and are making strenuous efforts to avoid the chaos they see ahead. One important measure they are employing is to give the American people the facts, which is one reason why I am talking to you. We are then quite willing to rely upon their judgment for a proper remedy. Management is attempting also to bring about greater understanding and cooperation between government and business. We still have a long way to go along this road, and I can think of no more important objective for businessmen to keep before them.

Management will continue to fight for your economic life in every way that it properly can. It is seriously handicapped in at least one important respect: The fact that corporations do not vote and may not engage in political activity. Disregard for their views and those of their management carries with it little fear of reprisal at the polls.

It is within the power of aroused stockholders and employees to accomplish much more than can management. They have a lot of votes and the politicians know it. In numbers they will rival any other group. I wish I had a magic formula with which you could solve the problem quickly and easily, but I have no brilliant inspiration as to how to make your job as stockholders that simple. Your incentive must come from an appreciation of what losing the fight will mean to you and your children and from the realization that, while individually your voices may be small, in the aggregate they can be heard well above the clamor of those whose short-sighted selfishness would in the end lose everything for all of us.

What Should Be Done

The only methods I can suggest are the old standbys:

Take an active part in politics, regardless of party, for the purpose of getting political leaders of good character, particularly in all party organizations, so that regardless of which party wins there may be a greater expectation of capable, honest office holders. I hear some people urge their candidates to seek their election by promising more for nothing than do their political competitors and then after election to resume their sanity. In passing, may I say anyone elected by this fraud is probably worse than the man he replaces. Rely more on the character and good judgment of your candidate than on his promises of wealth, ease and security without the necessity of at least a fair amount of hard work.

As your attention is called through the press or otherwise to proposals which seem inimical to business, take the trouble to write your Congressmen about them in any simple, informal way that occurs to you. With the report of this meeting there will be sent to all stockholders a list by states and districts of the United States Senators and Representatives. By referring to this list, it will be easy for each stockholder to determine who represents him. You may not think your letter counts, but you might say the same thing for the dime in the subway turnstile. We know the contrary is true from the effective results obtained by other groups using this method.

Support with your time and money the various and reputable organizations that are going our way. One of these organizations is the Citizens Committee for the Hoover Report. You will recall that in 1947 Congress created a bi-partisan commission under the Chairmanship of former President Hoover to study and make recommendations relative to the organization of the Executive Branch of the Federal Government. The resulting report was approved most enthusiastically by Mr. Truman and almost everyone else in government circles. Among other things, it indicates how huge savings can be made through cutting out waste and extravagance in government. This, in turn, should reduce our tax burden. Only about 20% of these recommendations have been adopted. The balance will die on the vine because of Congressional inertia unless something is done about it. The Citizens Hoover Committee is endeavoring to stir up people throughout the land to urge in their own interest action by their Congressmen. This educational program costs money, and in my judgment it will be money well spent.

You can also help the public form its opinion of business by promptly denying accusations against business which you think are unjustified. The least you can do is write to us to find out quickly the truth about any charges which may be made against our industry. In short, stockholders must look out for their own interests, not only by keeping a critical eye on management, but by putting their shoulders to the wheel on occasions like the present when we are all so deeply mired in politically inspired controls that our struggles to forge ahead in business seem merely to get us in deeper.

Men whose patriotism and good judgment cannot be questioned, among them General Eisenhower, have recently emphasized the peril in the situations to which I refer by stating worse things of our own making can be in store for us than the hydrogen and atomic bombs. It is encouraging to hear men of such caliber place this higher than life value on the freedom they are trying to preserve. It should encourage each of us to active participation in the fight.

*From an address by Mr. Holton at the Annual Meeting of the Stockholders of the Socony-Vacuum Oil Co. Inc., April 27, 1950.

H. G. Riter, III, Pres. Of Thos. Edison, Inc.

Charles Edison, President of Thomas A. Edison, Incorporated, West Orange, N. J., for the past 24 years, has been elected to the newly created position of Chairman of the Board of Directors, and Henry G. Riter, III, was elected to succeed Mr. Edison as President.

Henry G. Riter, 3rd

Mr. Riter is the senior partner of Riter & Co., New York City, members of the New York Stock Exchange. He is Chairman of the board of the Copperweld Steel Co. of Pittsburgh. A governor of the Investment Bankers Association of America, he has served in the past as Chairman of the Board of Governors of the National Association of Securities Dealers, Inc., and as President of the Bond Club of New York. He is also Chairman of the board of trustees, YMCA, of Montclair, having served as President for the past ten years.

Chester B. Blakeman

Chester B. Blakeman, investment dealer of Atlanta, Ga., died at the age of 59 while visiting at the home of his brother, Dr. Ralph S. Blakeman, Odessa, N. Y.

Joins M. S. Walker Staff

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—James G. Craig, Jr. has joined the staff of M. S. Walker & Co., 125 East First Street, members of the Los Angeles Stock Exchange.

Economy in Government

By HON. JAMES A. FARLEY*
Chairman of the Board, Coca-Cola Export Corporation

Former Democratic Party leader, asserting government officials should be impressed by need for checking government expenditures, outlines recommendations of the Hoover Commission report, and, though approving proposed economy measures, says they are not sufficient to balance budget. Urges caution be exercised before new and vast experiments in social services are undertaken. Scores scramble for local appropriations and expresses disapproval of operation on unbalanced budget.

This country is composed of two kinds of people. One group believes that the government can support all the citizens. The other wonders whether all the citizens can support the government. I feel certain that all of us here tonight belong to the second group.

James A. Farley

In an address in January, President Truman said that on the basis of the growth of this country over the past fifty years, we would in another fifty years have a national income of a trillion dollars. I have no doubt about his figures nor his expectations, but we can reach some frightening conclusions when we take the past fifty years as a measure of the increase of the next fifty years.

One of those conclusions is that if we take the cost of government for 1900 and compare it with the cost of government for 1950 and then figure the same rate of increase for the next fifty years, our government would cost six trillion dollars, or six times as much as the whole national income. On that basis, we would also have working for the Federal Government alone twenty million men and women. The lesson of these simple figures is that unless we find some way of reducing the cost of government it will soon grow so great as to consume not only everything that we all earn but everything that we have all saved, and utimatey everything that we call property, which is owned by all of us.

Check Expense Burden of Government

This is a very sobering situation. And I think it is to the interest of every citizen to impress upon those whom he has elected to office the necessity that this increase in the burden of government be checked, or we shall find ourselves living under a form of government which is utterly different from that in which we were born and under which our forefathers built a great country.

This problem is not a political issue. It is an American issue and every true American, regardless of party, owes it to himself to study it, understand it and do something about it. It comes down to two questions. First, has our government the capacity to control its own growth? Second, are those who are elected to office or who are running for office going to be able to tell the people the truth about what government can do for them and what it cannot do for them?

The first part of my remarks will be about what is called the administration of government as it is. The second part will concern the broader question of what we ought or ought not to expect government to do. The first part deals with what was generally covered in the studies and the report of the great Hoover Commission which completed its work more than a year ago. The second goes beyond that to the broad American question of what a government should be expected to do in our American civilization.

*Address by Mr. Farley at the Banquet Session of the 30th Annual Conference of the National Association of Mutual Savings Banks, New York City, May 5, 1950.

The Hoover Commission was created by Congress and appointments were made by both the Congress and the Executive. Its title was "The Commission on Organization of the Executive Branch of the Government." It was composed of distinguished Americans, headed by our only ex-President. Herbert Hoover deserves the respect and gratitude of all Americans for this great undertaking. While some of us may have disagreed with him when he was President, and while we may disagree with some of his views, none of us can question his sincerity, his patriotism and his vast knowledge of government and public policies. He undertook this job at an age when most of us will be thinking of quiet retirement and when a great many of us will be passed from this earth. The job entailed as arduous a task as has ever been laid upon an American.

In the first place, the field that the Commission had to cover involved a study of public expenditures amounting to forty billion dollars a year. It reached into every corner of our vast governmental establishment. Mr. Hoover's part in it, moreover, involved the reconciling of the views of the eleven men who shared with him membership in the Commission. It meant a minute examination of thousands of pages of task force reports on dozens and dozens of technical aspects of government. It involved questions of finance, military affairs, engineering, medicine, banking, agriculture, business, labor, science, personnel and administration generally. It involved road building, electric power, hospital care and foreign trade. It involved the relations of our country to many foreign governments, each of which presented a special problem of need and responsibility. It involved the conduct of our foreign affairs, with all of the vast world-wide ramifications that are covered by that service. Never, I venture to say, has any commission been invested with responsibility of covering so many subjects in such detail within the limit of time that was imposed upon this task.

All of this Mr. Hoover and his patriotic associates in this Commission took as a serious responsibility. They have given us in this report the distilled wisdom not only of their own knowledge and experience, but of the hundreds of people who assisted them. It is the solemn duty of every American citizen to take this report with the utmost seriousness and to cooperate, as the years pass, in bringing about the adoption of its helpful and excellent recommendations.

Government Must Have Means to Control Itself

This Commission started with the premise that in government, as in business, the heart of administration is control. If government is to control as much of our lives as it does, then there must be some means by which we can control government. It is also essential that, if government is to control us, then government must have the means to control itself.

One of the most startling things in this report is the fact that it proves pretty conclusively, I believe, that government as now constituted has grown so fast, so great and with such haphazard methods that it is actually out of control of the very people who are conducting its affairs. That means that, with things as they are, Congress lacks the real means of controlling its own expenditures, and the President himself lacks the means of controlling the very departments over which he has the constitutional responsibility of direction.

In discussing this question I cannot within the time assigned to me do very much except to touch on some highlights. It is a very long report and it covers a vast multitude of subjects. But a few of the subjects selected with care will illustrate what I mean by the lack of administrative control. Let us first look at two departments of government that were created as a means of direction and control of expenditures. First is the Bureau of the Budget, and second is the General Accounting Office. I take these two because one is responsible to the President and the other is, technically at least, responsible to the Congress.

The budget of the United States, as you all know, is a very large and complex document. It is supposed to be a means by which the President, through his Bureau, reviews of the needs and requirements of every department of government and, after careful counting and pruning, presents to the Congress the requirements of government for the next fiscal year. With this before the proper committees of the Congress, it should theoretically be possible for the Legislative branch of the government which, after all, is the spending and taxing authority under our Constitution, to decide for itself whether it will grant or whether it will deny these Executive requests. However, the budget over the years has grown so large that it is almost impossible by an examination of this printed document to determine with any degree of accuracy the real necessities of government and to eliminate those which, in the wisdom of Congress, can be dispensed with.

Bureau of Budget Ineffective

With reference to this budget and to the Bureau of the Budget, which creates it, the Hoover Commission had some very critical things to say. These criticisms were seriously regarded by the President and, to his credit, it must be said that the budget presented some months ago represents a great improvement over the budget presented a year ago. It shows for the first time the cost of the various projects, set up in such a way as to indicate their total cost. Previously, the costs of projects were scattered under so many classifications that it was impossible to view any one as a whole and to measure its cost against its probable benefits. This is a step in the right direction, and the Hoover Commission can be credited with at least the beginning of a reformed budget.

The other great agency of control is the General Accounting Office, at the head of which is the Comptroller General of the United States. The Hoover Commission had some rather critical things to say about this agency of the government. It pointed out that in its efforts to scrutinize enormously detailed expenditures of government, it had loaded upon itself such a burden that it was almost impossible to fulfill other responsibilities which had been placed upon it by law. To express it briefly, the Comptroller General, in checking over every voucher and expenditure and in determining whether those expenditures were within the law, had in substance taken away from the Executive Department a responsibility which in every business must rest with the executive of that business. In an American business like the one with which I am associated, the general policies are vested in a board of directors. That board of directors then employs a president and other officers. In turn, the board of directors is elected by and responsible to the stockholders.

Under the operation of such a business, the executives — the president and his associates—set up a system of accounting which at all times provides for them a picture of what is going on in the business. The board of directors, in order to have a completely unbiased and impartial picture of the business over which it presides, employs an auditor, who goes over the books of the business from time to time and reports back to the board of directors. Thus, there is in business a distinction between accounting and auditing.

Functions of Auditing and Accounting Confused

In our national system, the Congress can roughly be called the board of directors of our national business. The President and the Executive Departments are the officers, and the stockholders are all of us. Unlike ordinary businesses, however, in government the functions of auditing and accounting are confused. The Hoover Commission proposed that they be separated, with the Comptroller General conducting auditing business for Congress and an Accountant General in the Treasury Department conducting the accounting for the President. It will take a long time to accomplish this change, but it is one of those essential necessities of control that we shall need, if we are to bring government clearly within the pattern set by our own modern business methods of administration.

Another thing that business does—and if it doesn't do it, it soon goes broke—is to require a real accounting of property that it owns. Such an accounting of government property is not present in our government, which owns something like $27 billion worth of personal property.

I have always believed in the principle of civil service. The intent was good when it was created, some 67 years ago. As it has grown, however, it has become to some degree a hindrance, rather than a help to good and efficient administration. It is too difficult in government now to enlist the best sort of personnel, and it is too difficult to get rid of incompetent employees. The Hoover Commission proposes that the respponsibility of selecting employees be decentralized and that the Civil Service Commission limit its activities to determining the standards under which government emloyment shall be carried on by the departments.

One of the reports of the Hoover Commission tells an amazing story about the records that the government keeps. It points out that the actual paper records of the government, if all brought together in one place, would fill six Pentagon buildings. Under a more efficient method of record-keeping, about a third of this paper stuff could be thrown away and a lot of the rest could be moved out of Washington into less expensive quarters.

Government in Banking

As all of you know, the government has become one of the biggest bankers in the history of the world. It has innumerable lending agencies — the best-known of which, of course, is the Reconstruction Finance Corporation. The Hoover Commission makes some very clear-cut recommendations concerning these agencies. Their operations should be concentrated, and in many instances should be eliminated. Many of these lending agencies could very well be put into deep freeze and kept ready in case another depression comes along, for a resumption of their operations. There is altogether too great a temptation, when government money is being lent so readily and so broadly, to lend more than is necessary and to take from the private banks and insurance companies their responsibilities in this matter.

The Hoover Commission goes on farther and recommends a unification of government hospitals, public health and medical research. It points out as an indication of great waste that at the time of its investigation there were in our Federal hospitals beds for 225,000 patients and that only 155,000 were occupied. Despite this fact that there was a surplus of 70,000 beds, Congress proceeded to make additional appropriations for 50,000 additional beds, at a cost of one billion, three hundred million dollars. President Truman cancelled out three hundred million dollars of this program. That was some help.

The Hoover Commission made a very elaborate study of what we are doing in the way of conserving our water and our water power. It was found that there was a great deal of duplication there. A great rivalry exists between the Army Engineers and the Reclamation Service, which has never been a particularly economical conflict. The Hoover Commission recommended the unifications of these services, which would involve a saving of hundreds of millions of dollars.

Federal Grants-In-Aid

One of the most serious tendencies in our Federal system is the extent to which the Federal government, through grants as aid, is absorbing the obligations and responsibilities of our state governments. Three years before I entered the Federal service—that is, in 1930—the total of Federal grants in aid to the states was about one hundred million dollars. When I left the government service, this had risen to almost seven hundred million dollars. I do not want to suggest to you gentlemen or anyone else that I had anything to do with this great increase. I was kept pretty busy with the Post Office Department during that time.

These grants did not increase during the five years of war and preparation for war. But after the war and over the past five years, they have begun to go up at a much more rapid rate. The figure has more than doubled and, according to some estimates, will reach something like two billion dollars. These grants, of course, are not made in accordance with the amount of money taken out of the states. The Federal government takes five times as much out of the State of New York as it gives back. We are a great state and we are proud of our productive wealth. But we can hardly afford a continuation of this trend over a period of years. Nor can, in fact, many of the other states.

It may be true that the Federal government has a proper responsibility to see that states that are unable to offer the essential services to their people should be helped by Federal grants. I am not sure, however, that these grants are disbursed on any such principle. The trouble under this system is that some states are getting more than they should,

and other states are giving more than they should.

The most vital part of this Federal-state relationship is that, if this thing goes on, the states will gradually give up all of their responsibilities and the Federal government will absorb them. The result will be not a Federal system such as was set up under our Constitution but a centralized unitary government which can never fit the 48 individual requirements and special conditions of a country as broad as this one. The way to stop this trend is to restore to the states some of the sources of taxation that the Federal government has taken over. Here again, the Hoover Commission has some very constructive and important recommendations.

New Equality of Taxation

The danger in the extension of the personal income tax system is that it becomes so easy to raise money through the Federal income tax that many other proper sources of revenue are overlooked and neglected. We must establish in this country equality of taxation. And that taxation ought to be distributed so that individual initiative and wholesome business growth will not be stifled by unwise methods of taxation.

I have been talking so far about the essential recommendations of the Hoover Report, with a few examples. Now as we all know, it is one thing to believe in good things and to recommend them, and another to get the recommendations accepted. Congress is under so many demands for the expenditure of funds that it finds it almost impossible to resist them. What is needed is that Americans be organized to put just as much pressure on Congress to save as the various pressure groups have put on it to spend. A start toward this has been taken since the Hoover Report was issued. There has been established a national citizens' committee, the purpose of which is to support the recommendations of the Hoover Report and to get them enacted by Congress and by the Administration. State and local sub-committees have been created to assist in this in the various states of the union. The efforts of this great national committee and of its sub-committees should be supported by all of us.

Up to this time I have been talking about administration, with particular reference to the recommendations of the Hoover Report. I wish to make it clear that this was a non-partisan, non-political report and that its function was not to suggest the wisdom or the un-wisdom of any of the activities carried on by the Federal government. The determination of such questions becomes a matter of national policy over which Congress has final control. In short, the Hoover Commission takes things as they are and suggests, through methods of reorganization, the more efficient disbursing of existing services and a consequent lower cost. If all the recommendations of the Hoover Commission were adopted the saving would be considerable — perhaps more than three billion dollars. If some of the long-term recommendations were adopted this sum might be increased over the years because of greater efficiency. All this, of course, would lighten our tax burden and help us to reduce the cost of government and the danger of too much government.

More Economy Needed

I wish to note, however, that even if all these recommendations were adopted in the present year, we would still be running a deficit of two billion or more. This is not the way that a wise and thrifty country ought to be running its affairs. In time of prosperity we should be balancing the budget. A few dollars saved here and there are not going to do it and we are not going to do it even if we adopted the most efficient principles of administration.

What we must do is to make a decision as to what should come first in the way of government expenditures and then stop the increase.

I realize that, as President Truman pointed out, a vast amount of the present budget of more than forty billion dollars is required to pay the cost of past wars and the expenses of the present cold war. But, nevertheless, there can be savings in what is expended over and above military and foreign aid. I am not at all sure, moreover, that we cannot save on our military expenses and at the same time have adequate defense. I am not at all certain, moreover, that we cannot reduce our foreign aid to more reasonable proportions.

Beyond that, we are ignoring expenditures in the civil side of government that should be carefully scrutinized by Congress. We must find some means of keeping our agriculture prosperous without involving a constantly increasing government expenditure to pay for crops that should not be raised. I realize that such supports cannot immediately be taken away, but I think we all ought to find a means by which over a few years we can reduce the present staggering sum that we are giving for the support of one segment of our economy at the expense of other segments.

Before we undertake new and vast experiments in social services of various sorts, we ought to consider putting first things first.

These are matters that are not partisan. I have had enough experience in the national government to know that in the scramble for Congressional appropriations we cannot distinguish the energy of a Republican from that of a Democrat. The national Congress is a great body and I can count in its membership scores of warm, personal friends and fine patriots, but I sincerely feel that there ought to be much more of a spirit of national security, rather than of local urgency in its activities. We have got to have men in Congress who look to the need for a sound national economy with a balanced budget, and a little less concern for what certain communities and particular departments are demanding. This is a national cause, and it requires a national point of view.

For, as I said a moment ago, we cannot, if we expect to remain a great and growing nation, indulge in an extension of the practice of deficit spending in times of great prosperity such as these. Our tax burden now is about all that we can support. An increase in our income taxes would probably yield less, rather than more revenue. We must reduce our cost of government, and we must reduce it even if some people get hurt in the process.

It will not profit any of us to be members of a nation which is pursuing unattainable objectives and is employing unsound methods. The public welfare is the welfare of all of us, not necessarily each one of us. The public welfare is the welfare of our nation. And in the face of that, our individual concerns should be subordinate. It is my hope that this principle may more and more occupy the serious attention of everyone faced with the responsibility of public office.

Geo. A. McDowell Adds

(Special to The Financial Chronicle)

DETROIT, Mich. — Charles A. Ashley has been added to the staff of George A. McDowell & Co., Buhl Building, members of the Detroit Stock Exchange.

Proposes New Debt Management Plan

Aubrey G. Lanston & Co., Inc. issue booklet in which proposal is made to abandon maintenance of yield of $2\frac{1}{2}\%$ on government bonds and have Treasury offer long-term bonds that will compete with rates paid by private borrowers. Would end issue of redeemable savings bonds.

In a new publication, entitled "Free Competitive Enterprise at Stake — Treasury Debt Management and Federal Reserve Credit Policy," Aubrey G. Lanston & Co., Inc., dealers in United States Government obligations, with offices in New York and Boston, proposes a change in current Federal debt management. The booklet was prepared by Mr. Lanston and Leroy M. Piser, Vice-President and Research Director of the company.

Aubrey G. Lanston Leroy M. Piser

In releasing the booklet, Mr. Lanston said, "The present impasse between the Treasury and the Federal Reserve System constitutes, in our opinion, the outstanding threat to free competitive enterprise in this country."

But Mr. Lanston added, "we have a rare opportunity to solve this problem now, because the incumbent Secretary of the Treasury, as well as the senior personnel of the Federal Reserve System, thoroughly understand the problem. This fortuitous combination of personalities and knowledge may not be our good fortune indefinitely."

The Constitution of the United States, Mr. Lanston continued, "carefully preserves to Congress the power to coin money and regulate its value. Congress has delegated some of its powers to the Federal Reserve. Inaction in resolving the dilemma of the Federal Reserve gives the dominant position to the Treasury regardless of past legislation, and the resulting situation is detrimental to economic stability and penalizes all savers, including present and potential beneficiaries of Social Security and pension plans."

Mr. Lanston points out: "In this booklet we have attempted to spell out principles and precise methods that could solve the present impasse. We believe that these are practical and that they would do the job, but our main purpose is to encourage others to think about the problem and to take action as individuals and in groups that will ensure adoption of the best solution. We need, above all things, a ground swell of opinion from bankers, businessmen, investors, organized labor, and others that will require both money and debt management to be conducted in a manner that will promote free competitive enterprise. If we fail of this objective, the nation will drift more and more toward government paternalism and away from the kind of system that has given us the highest standards of living and personal freedom in the world. Everyone has a stake in the outcome."

A Comprehensive Study of Fiscal Policy

The booklet includes a comprehensive study of the various problems and their background. It starts with the government's fiscal policy and suggests an approach that follows, with some important exceptions, the basic principles of a proposal set forth by the Committee for Economic Development. The booklet then examines the background of present money and debt-management policies and methods together with their implications, and it concludes that the maintenance of a fixed pattern of Treasury financing costs, predetermined by the Secretary of the Treasury, makes it impossible for money and debt management to function in a manner that will contribute to a prosperous stable economy.

In suggesting a solution to the dilemma, Messrs. Lanston and Piser take the view that a Treasury cash surplus during periods of business prosperity or boom is a prerequisite. They then propose that "we scrap the maintenance of a maximum yield of $2\frac{1}{2}\%$ on long-term bonds and an awkwardly-controlled short-term rate," because the Treasury cannot be concerned primarily with the sale of low-income securities when it has a major responsibility for contributing to a sound economy. The latter requires that ways and means be found to enable the Treasury to offer long-term bonds that will compete with the rates paid by private borrowers when business is at a high level and bond prices are relatively low.

The authors claim that such financing can be achieved, and at a negligible cost, if accompanied by a clear-cut statement of peace-time debt-management objectives. The results would enhance public confidence in the Treasury and in the dollar, improve the solvency of financial institutions, encourage the flow of private savings to productive channels in periods of recession and make it possible for an effective credit restraint to be applied to periods of business boom or inflation. The booklet outlines the successive steps that are believed to be necessary to such ends and to a return to the Federal Reserve System of the powers vested in the latter by Congress.

One of the requirements of the suggested plan is a new savings bond that would eliminate the demand-redemption feature of outstanding savings bonds. The new bond would be handled through an unprecedently large sales organization the members of which would be licensed by the Federal Reserve Banks. The market for the bond would be set by the Federal Reserve and usually would be quoted 99 bid and 100 offered. One of the interesting features of the new bond is that the rate of interest paid to holders would vary. When bond prices were low and interest rates were high, the interest payment would increase, and when bond prices were high it would decrease. This and other provisions for the regulation of the market by the Federal Reserve are resigned to increase the public's holdings during periods of business booms and to decrease such holdings, if this seems desirable, when business is depressed.

Opposes View of Council of Economic Advisers

The authors place themselves in opposition to the views recently advocated by the Council of Economic Advisers. The latter, in addressing the Joint Committee on the Economic Report, claimed that the Secretary of the Treasury must be in a position to dominate the Federal Reserve System. Messrs. Lanston and Piser characterize the Council's position as one that would promote "a monetary short-cut to the creation of a strong socialistic Government capable of dominating our entire economic life."

Business Man's Bookshelf

Investment for Jobs—Chamber of Commerce of the United States of America, Washington 6, D. C. —paper—single copy 25¢ (lower prices on quantity orders).

Review of International Commodicy Problems: 1949 — United Nations publication 1950.II.D.2— Columbia University Press, 2960 Broadway, New York 27, N. Y. —paper—60¢.

Revolt of the Masses, The—Jose Ortega y Gasset—A "Mentor Book" reprint—The New American Library, 245 Fifth Avenue, New York, N. Y.—paper—35¢.

Yearbook of Food and Agricultural Statistics 1948 — Vol. II (Trade-Commerce) United Nations—Columbia University Press, 2960 Broadway, New York 27, —paper—$3.50.

Charles L. Davis Now With Mabon & Co.

Mabon & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that Charles L. Davis is now associated with the firm in its municipal bond brokerage department. Mr. Davis was formerly with C. M. Osborne & Co. and R. H. Jantzer & Co. In the past he was a principal of Sharp & Davis.

Municipal Bond Club Gets Nominees

The nominating committee of The Municipal Bond Club of New York announced the nomination of Reginald M. Schmidt, of Blyth & Co., Inc., as President; Edward D. McGrew, of The Northern Trust Co., Vice-President; Marquette deBary, of F. S. Smithers & Co., Secretary; and William P. King, of King, Quirk & Co., Treasurer. Walter E. Morse, of Lehman Bros., was nominated for member of the Board of Governors to serve until 1953.

The election will take place at the annual meeting of the club to be held on June 9 at The Sleepy Hollow Country Club, Scarborough-on-Hudson, New York. The annual meeting will coincide with the 17th annual field day at Sleepy Hollow.

Kearney Wernall Appoint'd

KANSAS CITY, Mo.—Kearney Wernall, Vice-President of the City National Bank & Trust Co. of Kansas City, has been appointed one of three members of a newly appointed Kansas City Police Board. The two other members of the new board are Albert F. Hillix, lawyer, and a former President of the Chamber of Commerce, and George Fiske, a former Police Board member.

Mr. Wernall was a former President of the Chamber of Commerce and has been unusually active in Kansas City civic affairs. Governor Forrest Smith made the appointments.

George M. Bodman

George M. Bodman, senior partner of Cyrus J. Lawrence & Sons since 1911, died at the age of 67 after a brief illness.

Should United States Assume Sterling Balances?

By PAUL EINZIG

Commenting on proposals U. S. assume part of Britain's sterling balances, particularly those due Asia, Dr. Einzig contends this is very unlikely and will not solve Britain's dollar gap. Points out present gold and dollar reserves of Britain are exaggerated, due to large floating debt of Britain payable in gold. Says Britain's budget balancing is due to extremely heavy taxation and not to healthy economic condition.

LONDON, Eng. — The report that Britain has submitted to the United States a proposal for the solution of the problem of wartime sterling balances has created considerable stir on at least three continents. In London there was a certain amount of satisfaction because of the evidence of some positive attempt to break the deadlock. Ever since the sterling balances came into being the government was urged to do something about them, but up to now the government confined itself to the conclusion of temporary agreements which left the problem unsolved. The idea of obtaining a scaling down of these war-time debts by presenting to the creditor countries counterclaims for the military and political services Britain rendered to them by saving them from enemy invasion was deliberately rejected by the government. Nor was there any attempt made to obtain a consolidation of this external floating debt the piecemeal settlement of which weighs so heavily on the British balance of payments.

Dr. Paul Einzig

In the circumstances the relief felt in Britain over the government's reported move to arrive at a solution is understandable. Yet the proposed solution is not considered as ideal from a British point of view. If, as is suggested, the United States should grant dollar assistance to India, Pakistan and other holders of sterling balances, in return for a corresponding reduction of their sterling balances and a consolidation of the remaining claims, it would mean a diversion of the trade of these countries from Britain to the United States. This would be inevitable unless it was agreed that the dollars to be granted could be spent anywhere. Even then, owing to the prevailing scarcity of dollars the chances are that most of the dollars would be spent in the United States. In any case it seems unlikely that Congress would ever agree to such stipulation.

Even in the absence of such a provision the response of Congress to the reports of the British offer was anything but encouraging. Quite understandably there were protests against the suggestion that the United States should take over part of Britain's debt, in view of the fact that the British Budget is balanced, that even the British balance of payments has achieved an overall equilibrium, and that Britain has been gaining gold on a substantial scale since the devaluation of sterling. In respect of this latter consideration it seems as though Britain might become the victim of her government's propaganda. For the gold position is not nearly as good as Sir Stafford Cripps would like it to appear.

The figure of the gold reserve is undoubtedly impressive compared with that of any other country except the United States. What is not evident, and what Sir Stafford Cripps has failed to explain, is that against this gold reserve Britain has substantial external floating debts in terms of gold and dollars. There is the loan obtained from the International Monetary Fund. When in September, 1947 the then Chancellor of the Exchequer, Dr. Dalton, announced at a Press Conference the conclusion of that credit he was at pains to emphasize that it was a purely temporary accommodation. A journalist reminded him of the well-known French saying that "it is only the temporary that lasts." This has proved to be only too true. There is also the Canadian dollar credit, and the South African gold loan. All these and some other commitments should be deducted from the amount of the British gold reserve in order to give an idea of the gold position. Not to do so amounts to sheer window-dressing, and conveys an entirely misleading impression.

Indeed it might have been wise if the British Government had proposed to the International Monetary Fund, and to the governments of Canada and South Africa, that at least half of the increase of the gold reserve since September 18 should be used for the repayment of their claims. To be safeguarded against a reversal of the flow of gold, the repayment of the gold and dollar credits should have been proposed on the understanding that Britain would be entitled to draw once more on the facilities in case of need, up to the amount repaid. As a result these credits would no longer have been regarded as practically frozen, and, what is more important, the increase of the British gold reserve would not have presented an unduly favorable picture. But, then, for political considerations, the government wanted to impress public opinion with the extent of the recovery since the devaluation, even at the risk of antagonizing Congressional opinion.

As regards the balanced state of British trade, too, far too much stress is laid on the overall balance, and too little on the fact that it has been achieved largely with the aid of "unrequited" exports and exports to soft-currency countries. The dollar gap remains.

The only respect in which the picture presented is true is in respect of the balanced state of the British Budget. That is undoubtedly correct, even though it has been achieved at the cost of the maintenance of relentless high taxation. Anybody who is inclined to envy Britain for her balanced Budget should remember the price almost every man, woman and child in Britain has to pay for that achievement.

The response to the British proposals concerning sterling balances in India and other countries holding such balances was even more unsatisfactory than the American response. They made it plain that they want American aid but they do not want to relinquish any part of their sterling claims. They feel they are entitled to dollar aid unconditionally, and that they will get it even if they refuse to yield in the matter of sterling balances.

Continued from first page

Trusts' Portfolio Changes Trail Market Activity

amount on hand at the year-end to a total of $220 million. Percentage-wise the largest increase occurred among the closed-end companies, nine of these trusts adding to their liquid assets as compared with only two increases during the previous period. One of these closed-end funds, General Public Service, augmented its cash through sale of additional stock to the public. The bulk of the increase among the open-end stock funds was attributable to Affiliated Fund, a leverage trust, which has subsequently used $12 million to liquidate half of its outstanding bank loan.

Concurrently with the increase in cash reserves, the closed-end companies decreased the percentage of their net assets in equities and other more volatile securities to 83% of total net resources as compared with 85½% at the close of the previous period. Corresponding percentages of 66% and 83% for open-end balanced and stock funds respectively reflect little change over the earlier three months' interval.

The "Blue Chip" Element

Although purchases have predominated during the last nine months, particularly among managements of the open-end funds, such buying has not necessarily been centered on a relatively select number of so-called blue chip issues. The importance of the investment companies as a factor in influencing the course of stock prices at the present time, particularly through their transactions in these better known issues, is a misconception which these quarterly surveys prove to be erroneous. The majority of managements do not purchase their portfolio investments "to have and to hold" and "to put away and forget." Portfolios must of necessity be under constant surveillance, the public paying on the average about one-half per cent of asset value per annum for such management.

In substantiation of absence of market influence we present a tabulation of the purchases and sales during the past three quarterly periods of a half-dozen issues which an investor would be likely to accumulate if he were afflicted with "blue-chipitis" — a term originated by A. Wilfred May. Each of these issues has experienced a rise in market value of 20% or more from the low at the end of June 1949 to the price quoted at the end of March 1950. These are prime examples of the type of security that the investment trusts are supposedly "bidding up" and for which they are "creating premiums for scarcity value":

	BOUGHT			
COMPANY—	3rd Q. 1949	4th Q. 1949	1st Q. 1950	Total
American Can	7,400	15,000	5,500	27,900
Caterpillar Tractor	10,100	1,000	3,500	14,600
DuPont	6,600	1,300	6,450	14,350
General Electric	5,400	12,600	48,500	66,500
General Motors	12,500	15,000	8,000	35,500
National Dairy Products	12,400	13,800	1,900	28,100

	SOLD			
COMPANY—	3rd Q. 1949	4th Q. 1949	1st Q. 1950	Total
American Can	14,500	12,900	3,400	30,800
Caterpillar Tractor	1,100	2,300	5,300	8,700
DuPont	13,900	3,200	11,400	28,500
General Electric	36,900	29,800	5,000	70,800
General Motors	3,200	7,900	13,600	24,700
National Dairy Products	6,000	1,000	4,400	11,400

Summarized, the figures present this picture of the balance between purchases and sales during the nine-month period:

American Can	— 2,900
Caterpillar Tractor	+ 5,900
DuPont	—14.150
General Electric	— 4,300
General Motors	+10,800
Nat'l Dairy Prod.	+16,700

Not only are the purchase balances of those three stocks in which the investment companies added to their holdings during the period insignificant but in the remaining half of these popular issues there was a net liquidation. When it is realized that the open-end funds included in this survey have net assets of $1½ billion, equal to from 90 to 95% of the total asset value of the balanced and stock open-enders tabulated quarterly by the National Association of Investment Companies, the importance of these figures as representative of the *entire* influence of *all open-end* funds on the stock market can scarcely be disputed. Such weight in determining the course of stock prices as has been attributed to the investment companies and, in particular, to the mutual funds would thus seem to be open to serious questioning.

Some "Yellow-Chip" Purchases

Neither is it generally appreciated to what extent investment companies may at times make additions to their portfolios of companies which are not everyday names to the ordinary investor. Among some of the less familiar issues added to trust holdings during the period were the following: Airfleets, Inc., by Axe-Houghton, Inc.; Robertshaw-Fulton Controls; American Meter Co., by George Putnam of Boston; G. D. Searle & Co., a recent offering, added to Lehman, U. S. and Foreign, Bullock Fund and Massachusetts Investors Second; Gerber Products by Bullock Fund; Consolidated Rendering Co., by Fidelity Fund; Avon Allied Products, by National Investors; Dome Exploration (Western), by General American Investors and State Street; Mountain Fuel Supply Co., also by State Street; Glass Fibers, Inc., by American European Securities and National Shares Corp.; and Visking Corp., by Lehman.

Direct Placement

One of the most interesting developments during the quarter in this respect, however, was the direct private placement of 200,000 new shares of Affiliated Gas Equipment with six investment companies, comprising four management groups. The funds were Investors Stock Fund and Investors Mutual, Fundamental Investors and Investors Management Fund, Bullock Fund and National Investors. It is interesting to observe that three of these trusts — Bullock, Fundamental and National—are generally referred to as so-called "growth" stock funds.

Mr. Norbert A. McKenna, partner of Reynolds and Co., who negotiated the transaction, has summarized for the author the future importance of such private placements among investment companies thus: "Within the last several months this established enterprise [Affiliated Gas Equipment], with shares listed on the New York Stock Exchange, was faced with the needs for new money to handle a greatly increased volume of business. We found that these six investment companies were prepared to open their investment policies to include an appraisal of the desirability of furnishing such addition capital.

"The open-end investment companies have thus, in fact, entered upon another phase of their development in establishing a new service. No longer is the investor in their shares limited to investment in securities only after public offering, but he now has the opportunity to profit to an unusual extent from the skill and experience of the managers of open-end portfolios. The investment community should acknowledge the fact that the large new group of smaller investors has reposed its confidence in skilled managers of money in two important institutional groups, the insurance companies and the investment trusts. The insurance companies as never before are the repositories of large amounts of fallow capital which must be invested. The open-end investment companies are in the same position. The insurance company phase came first and the open-end phase is now with us."

A trend in placing new money issues is highly desirable, but it need scarcely be mentioned that such issues will not constitute too great a percentage of a fund's total assets.

Trusts Wary of Business Outlook

While optimism exists among investment managers in general, at least for the outlook during the remainder of the year, notes of caution are readily discernible. Douglas T. Johnston, President of the Johnston Mutual Fund, states in his quarterly report to shareholders: "While there has been a noticeable improvement in the business outlook for the last half of this year, the managers of your fund are aware of a number of developing factors which warrant a degree of caution. A liberal commitment in common stocks is still believed warranted, but it is felt that the time is approaching to consider shifts from the more cyclical durable goods industries to the more stable consumer goods field. . . ."

However, the pessimistic side of the picture is examined most piquantly by Moreau Barringer in his April 14 letter to the directors of Delaware Fund: "It cannot be denied that the American economy is on stilts, stilts which have been created in the main by government policy. Farm income, despite lagging consumption, is kept high by price supports. . . . Industry's exports, which frequently spell the difference between profitable and unprofitable operations, are supported by ECA payments. Even within the country, industrial profits are benefiting by an unprecedented defense budget, whose trend is still upwards. Industry has been using another stilt, of which the government seems to be guiltless, in the continued expansion of consumer credit. It is difficult for a man on stilts to descend in any graceful or gradual fashion. . . . We should, therefore, examine the stilts continuously and critically, if we wish to fore-

cast the time and method of getting back to earth. . . ."

Consolidated Edison the Favorite

Exclusive of issues in which chief additions resulted from break-up of holding company systems, stock distributions, or acquisition through rights (which are listed in the companion table), the favored utility during the period was Consolidated Edison of New York. Ten trusts purchased a total of 127,900 shares. Bullishness on the company was additionally evidenced by the fact that six of the purchases represented new commitments and there were no sales. A growing interest in Edison had been noticeable in the previous quarter when five funds made new additions to their holdings. North American was next best-bought utility, seven trusts adding a total of 42,400 shares. In this instance, however, an equal number of shares was sold by five managements. Central and South-west Corp. was also popular, seven trusts increasing holdings by 56,850 shares; there was one sale of a block of 6,300. Four funds made new commitments in the prime blue-chip, American Telephone and Telegraph, while two others added to shares already held. In all, 13,600 shares were purchased while there were no offsetting sales. Six trusts also purchased 8,050 shares of Public Service of Colorado with liquidation of one lot of 1,000. Southern Company received more than average attention as six more managements added 16,200 shares. Four companies made initial purchases of Northern States Power while a fifth added to holdings for a total of 17,000 new shares. However, one management, Lehman, disposed of a block of 30,000 while still holding 80,833. General Public Utilities was liked by four managers, but another sold. Also among the better-liked issues were Utah Power and Light and West Penn Electric, four trusts buying each. Virginia Electric Power was well up among the favorites, nine funds adding a total of 63,860 shares. In the case of two of these trusts, part of the acquisitions resulted from the conversion of the power company's bonds.

Utilities Liquidated

Public Service Electric and Gas was the most heavily liquidated issue in the utility group, excluding Niagara Hudson, much of which was in exchange for Niagara Mohawk. Five managements completely eliminated the Public Service from portfolios while a sixth lightened its holdings. In all, 10,600 shares were sold. American Gas and Electric was the next least popular issue, four funds disposing of 15,100 shares. A like number of trusts completely eliminated from their lists 7,355 shares of Central Illinois Light Co. Four companies also sold Illinois Power, but these were partially offset by three purchases. 35,200 shares of Middle South Utilities were entirely eliminated from three portfolios, although there were additions to seven others, aided by a new offering. Sales out of four portfolios in Consumers Power and Wisconsin Electric Power and from five in Cincinnati Gas & Electric were largely offset by additions to the holdings of these three issues exclusive of increases through rights or stock dividends. Two trusts sold Cleveland Electric Illuminating; there were no purchasers.

Transactions in Oils

Continental Oil of Delaware was the most popular issue among the oils, ten managements adding a total of 28,150 shares. Four of these represented new commitments. 15,000 shares were decreased among the holdings of four other companies. Seven trusts liked Standard Oil of Indiana, purchases totaling 19,100; one lot of 1,000 shares was liquidated. In the previous quarter this issue had been the top favorite in the petroleum group, while Continental had been sold on balance by six managements. Gulf returned to a top-ranking position with the bulls, after having been one of the most heavily sold oils in the December period. Currently, seven funds purchased a total of 42,800 shares, although there was still liquidation in five portfolios. From the standpoint of unanimity of opinion, Atlantic Refining was the leading issue in this group during the quarter under review as there were no sales offsetting six purchases of 20,900 shares. The recent dividend increase well merited such judgment. Six managements also increased holdings of Phillips, but there were five sales and the amount of stock disposed of was double that purchased. Three months earlier the bears had concentrated on this issue and nine trusts had sold. Five funds bought 34,300 shares of Shell, two of these representing new commitments. Two companies also eliminated the issue from their portfolios. Five more managers acquired Texas Co., but three sales totaled more than twice the amount of stock added. Favored by four managements, Superior Oil of California had no sellers. Socony Vacuum, Delhi Oil Corp., Pure Oil and Seaboard were purchased by three investment companies. Opinion was evenly divided on the latter two stocks, however, as there were three sellers of each.

"Jersey" Sold

Standard of New Jersey definitely outranked all other issues as the oil to be most heavily sold during the period. Six managements disposed of 23,930 shares, four of which completely eliminated this usual market favorite from their holdings. In only two other stocks of this group was there a preponderance of sellers over the buyers. Three trusts sold 3,700 shares of Humble Oil and the same number disposed of 11,700 shares of Skelly. Five funds sold Standard of California but there were four offsetting purchases, while four sales of Ohio Oil were matched evenly on the buy side.

Natural Gas Issues Favored

Purchases of natural gas issues continued to be stepped up as interest in the industry's securities picks up to the extent where it is fast approaching the point of being passed to the public as a speculative football to vie with the television shares. One closed-end fund, General Public Service, has not only raised $5½ million capital and increased its borrowing authorization by $2 million, but has shifted 30% of its increased assets into the natural gas industry. Another fund, of the open-end type, was formed in July last year and called Gas Industries.

Columbia Gas System was easily the favorite in this group, eight managements purchasing a total of 30,000 shares. There was one sale of a lot of 2,000. In the previous December quarter four trusts had eliminated 80,500 shares from their holdings, although this was offset by a like number buying 20,500. Next in popularity was American Natural Gas, 5,800 shares of which were bought by six funds; there were half as many sales. Shamrock Oil and Gas was added to three portfolios. Weighed against these purchases of 3,800 shares was the complete elimination of one block of 10,000 shares. Similarly three additions of Southern Natural Gas in relatively

Continued on page 26

Balance Between Cash and Investments of 61 Investment Companies

End of Quarterly Periods December, 1949 and March, 1950

	Net Cash & Gov'ts Thous. of Dollars —End of—		Net Cash & Gov'ts Per Cent —End of—		Invest. Bonds & Preferred Stocks Per Cent* —End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of—	
	Dec.	Mar.	Dec.	Mar.	Dec.	Mar.	Dec.	Mar.
Open-End Balanced Funds:								
American Business Shares	6,720	9,639	19.1	27.7	14.9	12.4	66.0	59.9
Axe-Houghton Fund	476	622	4.9	6.0	6.1	5.9	89.0	88.1
Axe-Houghton "B"	839	1,790	11.6	17.2	13.4	13.9	75.0	68.9
Boston Fund	7,958	7,551	16.7	14.8	23.7	25.6	59.6	59.6
Commonwealth Investment	1,110	1,486	9.5	10.1	20.0	18.7	70.5	71.2
Eaton & Howard Balanced	3,382	3,482	6.7	6.4	27.8	30.5	65.5	63.1
Fully Administered Shares	1,138	1,008	23.5	21.1	13.4	14.2	63.1	64.7
General Investors Trust	198	228	10.5	11.6	5.1	5.2	84.4	83.2
Investors Mutual	21,279	24,087	12.1	12.7	24.8	22.5	63.1	64.8
Johnston Mutual Fund	154	160	28.0	27.3	11.1	12.7	60.9	60.0
‡Mutual Fund of Boston	266	193	15.6	11.1	28.3	34.0	56.1	54.9
National Securities-Income	580	489	3.7	2.9	18.7	16.8	77.6	80.3
Nation Wide Securities	557	2,061	4.1	14.3	38.3	37.7	57.6	48.0
Nesbett Fund	105	109	19.7	19.4	27.4	24.8	52.9	55.8
George Putnam Fund	2,993	3,409	8.6	9.0	24.9	22.4	66.5	68.6
Scudder-Stevens & Clark	3,867	†	13.1	†	25.9	†	61.0	†
Shareholders Trust of Boston	329	304	6.2	5.6	28.6	30.1	65.2	64.3
Wellington Fund	21,603	19,554	20.5	16.4	18.8	18.7	60.7	64.9
Whitehall Fund	32	109	3.0	8.8	44.3	41.4	52.7	49.8
Wisconsin Investment Co.	281	245	13.9	11.1	4.3	3.2	81.8	85.7
Open-End Stock Funds:								
Affiliated Fund	3,375	11,550	2.7	9.0	0.2	0.2	97.1	90.8
Bowling Green Fund	161	70	26.7	11.1	2.7	1.4	70.6	87.5
Broad Street Investing	591	397	4.8	3.0	5.5	5.0	89.7	92.0
Bullock Fund	616	829	8.4	10.8	1.1	1.1	90.5	88.1
Delaware Fund	362	458	9.8	9.5	8.7	17.4	81.5	63.1
Dividend Shares	8,026	6,402	10.6	8.2	2.3	2.2	87.1	89.6
Eaton & Howard Stock	378	710	11.9	17.9	1.1	1.0	87.0	81.1
Fidelity Fund	1,498	1,493	4.7	4.3	1.5	1.4	93.8	94.3
First Mutual Trust Fund	116	385	3.2	10.4	22.7	32.2	74.1	57.4
Fundamental Investors	3,304	3,723	6.0	6.0	1.0	None	93.0	94.0
General Capital Corp.	836	1,154	8.4	10.9	None	None	91.6	89.1
Incorporated Investors	5,330	5,224	7.3	6.8	None	None	92.7	93.2
Institutional—Shs. Stk. & Bd. Group	361	349	15.6	14.6	None	None	84.4	85.4
Investment Co. of America	1,588	1,437	22.3	17.8	None	None	77.7	82.2
Investors Management Fund	447	506	4.4	4.8	1.1	None	94.5	95.2
Knickerbocker Fund	927	747	8.8	6.7	None	None	91.2	93.3
Loomis-Sayles Mutual Fund	2,347	2,516	40.0	39.5	5.5	8.0	54.5	52.5
Loomis-Sayles Second Fund	3,575	3,798	38.0	38.5	6.5	6.5	55.5	55.0
Mass. Investors Trust	9,179	9,231	3.3	3.1	None	None	96.7	96.9
Mass. Investors 2nd Fund	896	314	4.7	1.6	None	None	95.3	98.4
Mutual Investment Fund	15	96	1.1	12.1	29.2	27.3	69.7	60.6
National Investors	356	296	1.9	1.5	None	None	98.1	98.5
New England Fund	463	524	15.8	16.6	3.7	3.5	80.5	79.9
Republic Investors	36	103	1.9	5.7	None	None	98.1	94.3
Selected American Shares	3,511	1,538	22.1	9.4	0.6	0.6	77.3	90.0
Sovereign Investors	18	11	4.6	2.9	19.8	18.5	75.6	78.6
State St. Investment Corp.	18,885	21,255	26.1	26.7	None	None	73.9	73.3
Wall St. Investing Corp.	340	413	22.6	23.9	2.1	1.8	75.3	74.3
Closed-End Companies:								
Adams Express	5,642	4,501	14.2	11.2	None	None	85.8	88.8
American European Securities	529	617	5.5	7.0	12.6	12.6	81.9	80.4
§American International	2,591	2,053	13.7	10.9	None	None	86.3	89.1
Blue Ridge Corp.	5,429	7,758	15.7	21.5	0.4	0.4	83.9	78.1
Capital Administration	554	498	6.9	6.0	8.9	9.6	84.2	84.4
General American Investors	6,807	9,295	17.3	22.5	3.0	2.4	79.7	75.1
General Public Service	205	2,465	4.3	23.7	None	None	95.7	76.3
Lehman Corp.	13,526	19,671	13.2	18.5	2.1	0.2	84.7	81.3
National Shares Corp.	1,503	1,827	14.7	17.3	4.6	4.2	80.7	78.5
Selected Industries	2,130	2,185	4.4	4.4	10.5	10.4	85.1	85.2
Tri-Continental Corp.	3,140	3,393	4.2	5.2	11.0	10.8	84.8	84.0
¶U. S. & Foreign Securities	1,839	1,971	4.9	5.1	None	None	95.1	94.9
U. S. & International Securities	6,252	6,637	15.2	16.0	None	None	84.8	84.0

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †No interim reports issued to stockholders on this date. ¶Portfolio exclusive of securities in subsidiary or associated companies. ‡Name changed from Russell Berg Fund. §December figures revised.

SUMMARY

Change in Cash Positions of 62 Investment Companies

	Plus	Minus	Unchanged	Totals
Open-End Companies:				
Balanced Funds	11	7	2	20
Stock Funds	15	10	3	28
Closed-End Companies	9	3	2	14
Totals—All Companies	35	20	7	62

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Trusts' Portfolio Changes Trail Market Activity

small lots contrasted with profit-taking in one lot of 13,700. Three managements also made purchases of Consolidated Natural Gas and Tennessee Gas Transmission. There was one sale of 1,500 shares in the latter issue. Lone Star Gas and Southern Union Gas were each liked by two companies. Three of these four transactions represented new acquisitions; there were no sales. Selling predominated in Oklahoma Natural Gas and Mississippi River Fuel. There were three sales of each issue, totaling 12,100 of the former and 15,800 shares of the latter. Opinion was divided on United Gas, selling in five portfolios matching a similar number of acquisitions. A new purchase of 15,000 shares of Texas Gas Transmission was offset by elimination of a 5,000 share block. Similarly, additions by Lehman, U. S. & Foreign and U. S. & International of 7,250 shares of Texas Eastern Transmission was countered by liquidation in Axe-Houghton, Inc.

Johns-Manville a Favorite

Johns-Manville was added to the greatest number of portfolios of any issue among the building industry equities. Five increases and two new purchases totaled 14,100 shares. Liquidation occurred in three trusts and totaled 11,000 shares. Lone Star was equally well-liked, three increases and three new commitments of 12,500 shares being countered by no sales. The cement issues were regaining somewhat their popularity of the second and third quarters of 1949 (which had waned in the final quarter) for General Portland Cement was also well-bought, three funds adding to holdings and two others making initial purchases; there was liquidation in three portfolios. Pennsylvania-Dixie Cement found two purchasers. American Radiator, favorite of the preceding quarter, was still among the issues in greatest demand, five companies acquiring 23,500 shares. There was one sale of a 2,700 share lot. The acquisition of Affiliated Gas Equipment has been noted, but only five purchases are covered in this survey as Investors Stock Fund is not included. Armstrong Cork was also acquired by five managements. Purchases totaled 13,400 shares, while 3,000 of one lot were eliminated. A like number of companies added U. S. Gypsum, three of which represented new acquisitions. Five managements also favored Glidden, some adding to purchases through rights; 18,700 shares were acquired without the aid of the special offer. Certain-Teed was very well bought by three trusts making new commitments; 36,100 shares were added and there was no liquidation. Three funds each also acquired Congoleum-Nairn, Flintkote, Masonite and Pittsburgh Plate Glass. Yale and Towne was similarly liked by three trusts while two managements made purchases of Weyerhaeuser Timber. The preponderance of the selling in the building group was in Sherwin-Williams, four funds selling 9,600 shares. Two funds eliminated U. S. Pipe and Foundry, while a third lightened holdings. Otis Elevator was disposed of by two managements.

Union Carbide Bought

In the chemical group, the best-liked issue was an old time blue chip, Union Carbide. Eight trusts acquired this stock, two of which made initial commitments. Total purchases of 29,300 shares were offset by four sales of 8,700. DuPont was also a top favorite, eight funds likewise adding a total of 6,450 shares. However, three companies lightened their holdings by 11,400 shares. The same number of managements bought 22,000 shares of Dow, although some of this amount was acquired through the exercise of rights; there were also three sales of this latter issue. Eastman Kodak was added to the lists of five companies, volume totaling 3,780 shares. One trust reduced holdings by 445 shares. Four companies purchased 19,800 shares of Victor Chemical. This issue has been growing in popularity for in the preceding quarter three trusts had made initial commitments. There was profit-taking in one block of 2,000 shares. Mathieson Chemical was the least popular in group, four funds selling, three of which completely eliminated the stock from their holdings. Total amount of two purchases exceeded the number of shares liquidated, however. Three managements also disposed of Monsanto; there was one new commitment in a block of 8,000 shares. Interchemical was lightened in another portfolio and eliminated from a second. Opinion was almost evenly divided on American Cyanamid, which had been favored by buyers in the preceding period. Five funds bought and four sold. Likewise there was a division between four trusts on Commercial Solvents.

Finance Companies

The two major financing companies, C. I. T. Financial and Commercial Credit, were well regarded, five managements adding stock of each. In both issues, three of these purchases represented new commitments. 7,600 shares of C. I. T. and 17,700 shares of the other company were acquired, while two sales of each totaled 800 and 1,600 shares, respectively. Among the personal loan companies Household was preferred by four trusts, one making an initial purchase. Two New York City banks were leading favorites among the commercial banking institutions. Four funds acquired 6,500 shares of National City and three purchased Guaranty Trust. There was no selling of either. Scattered individual purchases were also made of Bank of America, Chase, Chemical, First National of Boston, First National of Chicago, First National of New York, First Bank Stock Corp., Marine Midland, National Bank of Detroit and Northwest Bancorporation. A new commitment in a block of 1,000 shares of Manufacturers Trust of New York was offset by another trust's liquidation of 6,000 shares. There were similarly, several single additions of insurance equities. Continental Insurance, Fidelity-Phenix Fire and Phoenix added to stock received as dividends. Holdings of Insurance Co. of North America were also increased in three portfolios through a distribution in stock.

Food Group

Buying predominated in the food group but it was light and scattered throughout several issues. Continental Baking was the favorite, three trusts adding 15,000 shares. Two funds made initial commitments in Wrigley while a third added to current holdings. Noticeable attention was given Mead Johnson as two managements made first purchases totaling 19,600 shares. There were also two additions to Hershey Chocolate. Selling was concentrated on General Foods and National Dairy Products, three trusts disposing of 5,500 shares of the former and 4,400 of the latter. Corn Products was lightened in two portfolios.

Mining and Metals Industries

Purchases in the non-ferrous mining and metals group de-

Changes in Common Stock Holdings of 45 Investment Management Groups

(December 31, 1949-March 31, 1950)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues more heavily sold are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment:		
1(1)	*1,200*	*J. I Case*	*3.500*	*3(1)*
4(2)	*26,500*	*International Harvester*	*19,700*	*6(6)*
		Auto & Auto Parts:		
3	8,700	Borg Warner	5 200	1
3	6,100	Electric Auto-Lite	None	None
		Aviation:		
5(1)	7,600	Bendix Aviation	18,000	3(1)
2(1)	1,800	Boeing Airplane Co.	None	None
4(2)	2,700	Lockheed Aircraft Corp.	7,500	1(1)
2(1)	*2,000*	*American Air Lines*	*10,400*	*4(1)*
None	*None*	*North American Aviation*	*10,600*	*2*
		Beverages:		
None	*None*	*Coca-Cola*	*1,300*	*2(2)*
		Building Construction & Equipment:		
5(4)	157,600	Affiliated Gas Equipment Co.	None	None
5(1)	23,500	American Radiator	2,700	1
5(1)	13,400	Armstrong Cork	3,000	1(1)
3(3)	36,100	Certain-Teed Products	None	None
3(1)	3,600	Congoleum-Nairn	None	None
3	7,700	Flintkote	1,500	1
5(2)	7,200	General Portland Cement	4,000	3(1)
5(2)	21,930	Glidden Co.[1]	500	1
7(2)	14,100	Johns-Manville	11,000	3
6(3)	12,500	Lone Star Cement	None	None
3	3,300	Masonite Corp.	None	None
2(1)	2,500	Pennsylvania-Dixie Cement	None	None
3	3,300	Pittsburgh Plate Glass	None	None
5(3)	7,400	United States Gypsum	4 600	3
2	2,500	Weyerhaeuser Timber Co.	None	None
3	2,300	Yale and Towne Mfg.	1,900	1(1)
None	*None*	*Otis Elevator*	*1,200*	*2(1)*
2	*3,550*	*Sherwin Williams*	*9,600*	*4(1)*
		Chemicals:		
8(1)	21 993	Dow Chemical[2]	3,300½	3(1)
8(2)	6,450	DuPont	11,400	3
5	3,780	Eastman Kodak	445	1
8(2)	29,300	Union Carbide	8,700	4(2)
4(1)	19 800	Victor Chemical Works	2,000	1(1)
None	*None*	*Interchemical Corp.*	*7,300*	*2(1)*
2(1)	*8,300*	*Mathieson Chemical*	*2,100*	*4(3)*
1(1)	*8,000*	*Monsanto Chemical*	*7,300*	*3(1)*
		Containers & Glass:		
4(2)	5,500	American Can Co.	3,400	2(1)
2(2)	10,000	Glass Fibers Inc.	None	None
3(1)	5,400	Owens-Illinois Glass	400	1(1)
		Drug Products:		
2	3,000	McKesson & Robbins	None	None
2	4,300	Merck and Co.	None	None
4	26,950	Procter and Gamble[3]	450	1
4(4)	7,850	Searle (G. D.) and Co.	None	None
2(2)	1,500	Squibb (E. R.) and Sons	None	None
None	*None*	*Abbott Laboratories*	*5,000*	*2*
None	*None*	*Bristol-Myers Co.*	*11,400*	*2*
1(1)	*1,900*	*Sharp and Dohme*	*1,400*	*3*
		Electrical Equipment:		
2(1)	3,100	Cutler-Hammer	None	None
14(3)	48,500	General Electric	5,000	3
2(1)	20,400	McGraw Electric	None	None
5(1)	8,800	Radio Corp. of America	None	None
2(1)	5,000	Square "D" Co.	None	None

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Financial, Banking & Insurance:		
5(3)	7,600	C. I. T. Financial Corp.	800	2(1)
5(3)	17,700	Commercial Credit	1,600	2(2)
6(1)	3,750	Continental Insurance Co.[4]	None	None
5	4,932⅔	Fidelity-Phenix Fire Insurance[5]	None	None
3(1)	1 300	Guaranty Trust Co. of N. Y.	None	None
4(1)	5,400	Household Finance Co.	None	None
3	1,300	Insurance Co. of No. America[6]	None	None
4(1)	6,500	National City Bank of N. Y.	None	None
3	1,650	Phoenix Insurance Co.[7]	300	1(1)
		Food Products:		
3	15,000	Continental Baking Co.	None	None
2(1)	2,400	Hershey Chocolate	None	None
2(2)	19,600	Mead Johnson	None	None
3(2)	10,200	Wrigley Co.	None	None
None	*None*	*Corn Products Refining*	*6,400*	*2*
1	*1,500*	*General Foods*	*5,500*	*3(1)*
1	*1,900*	*National Dairy Products*	*4,400*	*3*
		Machinery and Industrial Equipment:		
6(2)	4 400	Allis-Chalmers	6,000	2(2)
3(2)	12,000	Haliburton Oil Well Cementing	None	None
3(1)	15,000	United-Carr Fastener[8]	None	None
None	*None*	*Babcock & Wilcox*	*1,175*	*2*
1	*7,800*	*Food Machinery & Chemical Corp.*	*12,979*	*3(1)*
None	*None*	*National Supply*	*9,500*	*4(3)*
		Metals and Mining:		
6(3)	8,800	Aluminum Co. of America	4,300	3(1)
4	2,950	American Smelting & Refining	5,000	1
5	16,800	Kennecott Copper	2,800	3(3)
2(1)	2.500	New Jersey Zinc	None	None
3	7,700	Phelps Dodge	8 000	1(1)
None	*None*	*Consolidated Mining & Smelting*	*10,800*	*3(2)*
None	*None*	*International Nickel*	*6.700*	*4(4)*
None	*None*	*Lake Shore Mines, Ltd.*	*14,200*	*2*
		Natural Gas:		
6(2)	5,800	American Natural Gas	3,800	3(1)
8(2)	30.000	Columbia Gas System	2,000	1
3(1)	7,000	Consolidated Natural Gas	None	None
2(2)	8,400	Lone Star Gas	None	None
3	3.800	Shamrock Oil and Gas	10,000	1(1)
3(1)	1,050	Southern Natural Gas	13.700	1(1)
2(1)	22,600	Southern Union Gas	None	None
3(1)	9,100	Tennessee Gas Transmission	1,500	1
None	*None*	*Mississippi River Fuel*	*15,800*	*3(1)*
1	*1,000*	*Oklahoma Natural Gas*	*12,100*	*3(2)*
		Office Equipment:		
7	3,200	Internat'l Business Machines[9]	2,070	3
None	*None*	*Remington Rand*	*13,800*	*2*
		Paper and Printing:		
3(1)	10,100	Crown Zellerbach	1,000	1(1)
2	622.2	Cuneo Press[10]	None	None
9(1)	17,300	International Paper	3,500	3
4(3)	15 200	Kimberly Clark	None	None
4(3)	12,200	Marathon Corp.	None	None
4(1)	19,600	Union Bag & Paper	400	1(1)
		Petroleum:		
6(4)	20,900	Atlantic Refining	None	None
2(2)	6,000	Chicago Corp.	None	None
10(4)	28,150	Continental Oil (Del.)	15,000	4(1)
3	7,100	Delhi Oil Corp.	None	None
2(2)	16,785	Dome Exploration (West'n) Ltd.	None	None
7	42,800	Gulf Oil Corp.	17,600	5(2)

creased 35% from the preceding quarter and there was only a slight preponderance over the sales. As in the last three months of 1949, however, Kennecott was still a top favorite, five managements increasing holdings by 16,800 shares. Complete eliminations from three portfolios totaled only 2,800 shares. Aluminum of America was also rated highly, six trusts acquiring 8,800 shares, three of which represented initial purchases; similarly, three funds sold. Four companies purchased American Smelting and three added to holdings of Phelps Dodge. 2,500 shares of New Jersey Zinc were also bought by two managements. Selling predominated in International Nickel, four funds eliminating the stock from their portfolios. Two companies also cleaned out holdings of Consolidated Mining and Smelting, while a third lightened. Lake Shore Mines was decreased in two portfolios.

Paper Companies

The paper stocks, in contrast to the metals, increased slightly their unspectacular popularity, although nine of the thirty-two portfolio additions were due to purchases of International Paper; these totaled 17,300 shares. Four funds bought 15,200 shares of Kimberly Clark, three of which represented new commitments. A like number bought and made initial purchases of Marathon Corp. Although Union Bag and Paper was also added to four portfolios only one of these was a first commitment. Crown Zellerbach also found favor with three managements. No concentrated selling was apparent.

Merchandisers Less Popular

As noted, there was a decrease in popularity among the merchandising issues as well as the metals, although buying still slightly exceeded sales. Federated Department Stores held its place as a leading favorite, three trusts purchasing a total of 9,200 shares, two of which represented initial commitments. Marshall Field was also liked by three funds, purchases of which totaled 10,200 shares. The same number of trusts bought Western Auto Supply and two of these were first commitments. Woolworth and Grant were each bought by two companies. In spite of surface appearances reflected by the vote counting at Montgomery Ward annual meetings, it is apparent that Mr. Avery's policies are not approved by a number of professional managers of people's money. Selling in the retail department was concentrated during the quarter on this issue, nine companies liquidating, four of which completely eliminated the stock from their portfolios. Sales totaled 24,500 shares while there were four purchases of 4,500. Gimbel was also cleaned out of one list and lightened in two others. Three trusts sold Penney and there were no purchases.

Electric Equipment Industry

The electric equipment issues were liked, but purchasing volume was not large. Over a third of the buying transactions was concentrated in General Electric, fourteen managements adding a total of 48,500 shares; three of these represented initial commitments. Opinion was divided on Westinghouse, six purchases matching five sales. However, total volume on the buy side was three times that on the opposite. There was little favorable attention shown the non-integrated television companies. Two funds liked Philco and Zenith, while the same number sold these issues. However, Radio Corp. was one issue that might be classified in this category which received some attention as five managements acquired 8,800 shares.

Mixed Trend on Motor Stocks

Harvester, among farm equipment makers, was eliminated from six portfolios, although there were additions to four others. Case was also sold. There was a division on General Motors, Chrysler and Studebaker. Six managements bought 8,000 shares of Motors while five others disposed of 13,600 shares. Chrysler found five buyers for 13,500 shares while the same number sold 16,400. Two buyers of 14,000 Studebaker offset three trusts which eliminated 3,700 shares from holdings.

Activity was light and divided in the aviation issues. Only concentrated selling in the airlines was apparent in American Airlines, 10,400 shares of which were sold out of four lists. Lockheed was the favorite among manufacturers, four managements making purchases. Boeing was also liked by two funds.

American Can was bought by four trusts, two of which made initial purchases; there were two sales. Volume was not heavy among the drug products; G. D. Searle, previously mentioned, was the favored issue. Merck, McKesson and Squibb were each acquired by two companies. Bristol-Myers and Sharp and Dohme were sold. The outstanding buy among the machinery issues was Allis-Chalmers, six trusts buying 4,400 shares. Also well liked was Haliburton Oil Well Cementing, two managements making new commitments while a third increased current holdings.

Rail Appraisal Mixed

Opinion was about evenly divided on the rails with activity comparatively light. Atchison was well liked, five companies acquiring 5,100 shares. Next in popularity was Canadian Pacific, three trusts buying 25,500 shares. Illinois Central and Seaboard each were added to three portfolios. Preponderance of sellers appeared in Rock Island and Atlantic Coast Line. Rubbers were liked, but volume was light. Major purchasing occurred in Goodrich and United States Rubber; there was only three selling transactions in the entire group. Textile issues were also favored in light volume. 30% of the purchase transactions took place in Celanese, 36,100 shares of which were bought by eight managements. Two trusts also each acquired shares in Pacific Mills and United Merchants and Manufacturers. Industrial Rayon was eliminated from two portfolios.

"Big Steel" Sold

Selling in the steels was concentrated on United States Steel by five managements. Sharon, Armco and Harbison Walker were also sold. Although three trusts sold Bethlehem, the outlook on this issue was more favorable as five funds made purchases totaling 26,800 shares, two of which represented new commitments.

Changes in Common Stock Holdings of 45 Investment Management Groups (Continued)

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Petroleum—(Concluded)		
5(2)	34,600	Shell Union Oil	5,200	2(2)
3	32,000	Socony Vacuum	15,000	1(1)
7(1)	19.100	Standard Oil of Indiana	1,000	1
2	15,000	Standard Oil of Ohio	None	None
4(2)	2,500	Superior Oil (Cal.)	None	None
5(1)	7,100	Texas Company	17,619	3(1)
None	*None*	*Humble Oil & Refining*	*3,700*	*3*
1(1)	*100*	*Skelly Oil*	*11,700*	*3*
None	*None*	*Standard Oil of New Jersey*	*23,930*	*6(4)*
		Public Utilities:		
5(3)	37,294	American Power & Light [11]	263	1(1)
6(4)	13,600	American Telephone & Telegr.	None	None
2	2,200	Atlantic City Electric	None	None
2(2)	3,500	Brazilian Traction, Lt. & Power	None	None
2(1)	4,400	Carolina Power and Light	None	None
7(1)	56,850	Central and Southwest Corp.	6,300	1
7(2)	26 400	Cincinnati Gas and Electric [12]	7,800	5(5)
10(6)	127,900	Consolidated Edison Co. of N. Y.	None	None
11	28,740	Consumers Power [13]	11,480	4(2)
2(2)	2,200	Empire District Electric Co.	None	None
7(7)	75,244	Florida Power and Light [14]	None	None
2(1)	9,500	Florida Power Corp.	None	None
4(1)	15,000	General Public Utilities Corp.	3,000	1
2	8,500	General Telephone Corp.	None	None
2(2)	2,700	Iowa-Illinois Gas & Electric w d	None	None
5(5)	76,200	Kansas City Power & Light [15]	10,000	1(1)
3(2)	6,000	Kansas Gas and Electric	None	None
7(1)	66.029	Middle South Utilities [16]	35 200	3(3)
4(4)	8,852	Minnesota Power and Light [14]	None	None
6(6)	55.078	Montana Power Co. [14]	None	None
2	6,500	New England Electric System	None	None
8	69.500	New York State Electric & Gas Corp. [17]	11,200	2(1)
10(10)	355.580	Niagara Mohawk Power Corp. [18]	None	None
7(1)	42,400	North American Co.	43,000	5(2)
5(4)	17,000	Northern States Power (Minn.)	30,000	1(1)
3(2)	11,500	Pacific Gas and Electric	20,000	1(1)
6(1)	8,050	Public Service Co. of Colorado	1 000	1
8(8)	32,900	St. Joseph Light and Power [19]	None	None
6(1)	16,200	Southern Company	None	None
3(1)	2,025	Southwestern Public Service [20]	None	None
8(4)	119,161	Texas Utilities [21]	None	None
4(1)	7,900	Utah Power and Light	None	None
9(4)	63,860	Virginia Electric and Power [22]	None	None
4(3)	44,500	West Penn Electric	3,600	1(1)
1	*500*	*American Gas and Electric*	*15,100*	*4(2)*
1	*700*	*Central Illinois Light Co.*	*7,355*	*4(4)*
None	*None*	*Cleveland Elec. Illuminating Co.*	*6.800*	*2*
None	*None*	*Niagara Hudson Power Corp.* [18]	*356,000*	*6(5)*
None	*None*	*Public Service of Indiana*	*10,600*	*2*
None	*None*	*Public Service Electric and Gas*	*35,200*	*6(5)*
		Radio and Amusement:		
2(2)	4.400	Columbia Broadcasting "A"	None	None
2(2)	7.000	Columbia Broadcasting "B"	None	None
None	*None*	*Decca Records*	*8,200*	*2(1)*
None	*None*	*Loew's, Inc.*	*14,400*	*2*
None	*None*	*Paramount Pictures Corp.* [23]	*28,550*	*8(5)*
		Railroads:		
5(1)	5,100	Atchison, Topeka & Santa Fe	800	3
3(2)	25,500	Canadian Pacific Ry.	None	None
3(2)	8,500	Illinois Central	None	None
3(1)	45,300	Seaboard Airline	None	None
None	*None*	*Atlantic Coast Line*	*9,800*	*3(2)*
None	*None*	*Chicago, Rock Island & Pacific*	*2,000*	*4(2)*
		Railroad Equipment:		
3	2,600	American Brake Shoe	None	None
2	600	Gen'l American Transportation	None	None
None	*None*	*American Locomotive*	*9,100*	*3(1)*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Retail Trade:		
3(2)	9,200	Federated Department Stores	1,600	1
2	4,000	Grant (W. T.)	None	None
3(2)	10,200	Marshall Field	7,700	1
3(2)	5,100	Western Auto Supply	9,000	1
2(1)	3,100	Woolworth	None	None
None	*None*	*Gimbel Brothers*	*11,700*	*3(1)*
4(2)	*4,500*	*Montgomery Ward*	*24,500*	*9(4)*
None	*None*	*Penney*	*2,600*	*3*
		Rubber and Tires:		
2(2)	1,200	Firestone	None	None
2	2,500	General Tire	None	None
4(1)	2,100	Goodrich	None	None
3(2)	4,100	Goodyear	3,200	1
		Steels:		
5(2)	26,800	Bethlehem Steel	17,100	3
11(1)	108,260	National Steel [24]	20,940	2
None	*None*	*Armco Steel Corp.*	*1,800*	*2*
None	*None*	*Harbison Walker Refractories*	*3,200*	*2*
None	*None*	*Sharon Steel*	*7,100*	*3(2)*
1	*1,000*	*United States Steel*	*5,800*	*5*
		Textiles:		
8(2)	36 100	Celanese Corp.	2,700	2
2(1)	1,600	Pacific Mills	None	None
2	5,000	United Merch. & Manufacturers	None	None
None	*None*	*Industrial Rayon*	*1,500*	*2(2)*
		Tobaccos:		
4(1)	9,100	Reynolds Tobacco "B"	4,000	1(1)
2	*1,200*	*Liggett and Myers*	*4,200*	*5(2)*
		Miscellaneous:		
None	*None*	*Ekco Products*	*13,000*	*2(1)*
None	*None*	*Greyhound*	*37,000*	*3*
None	*None*	*Southeastern Greyhound*	*3,500*	*2(1)*

SUMMARY

Balance Purchases and Sales Portfolio Securities 62 Investment Companies

	Bought	Sold	Matched	Totals
Open-End Companies:				
Balanced Funds	11	3	6	20
Stock Funds	15	3	10	28
Closed-End Companies	3	4	7	14
Totals—All Companies	29	10	23	62

FOOTNOTES

1 3,200 shares purchased through rights. Basis: 1 share for each 10 held.
2 Purchased in part through rights.
3 21,450 shares received as 50% stock dividend.
4 2,900 shares represent 25% stock dividend.
5 3,883 shares received as 33⅓% stock dividend.
6 Additions declared as 20% stock dividend.
7 Received as 25% stock dividend.
8 8,000 shares represent stock split. Basis: 2 for 1.
9 2,440 shares received as 5% stock dividend.
10 Additions received as 2% stock dividend.
11 Partially new stock under dissolution plan.
12 14,040 shares purchased through rights. Basis: 1 share for each 10 held.
13 9,804 shares received through exercise of rights. Basis: 1 for 10.
14 Liquidating distribution on American Power and Light preferreds.
15 Purchased through rights issued by United Light and Railways.
16 Acquired largely through underwritten offering.
17 Increased stock results from 2 for 1 split plus purchases of 700 shares.
18 Additions of Mohawk Hudson in large part received in exchange for Niagara Hudson Power.
19 Represents in large part liquidating dividend from United Light & Railways.
20 Stock purchased partly through rights. Basis: 1 for 8.
21 In part represents liquidating dividend on American Power & Light issues.
22 Received partially from conversion of bonds.
23 Represents sale of new stock exchanged for Paramount Pictures, Inc. Two purchases and sales were also made of United Paramount Theatres ctfs.
24 Represents 3 for 1 split plus purchase of 6,100 new shares.

NOTE—This survey covers 62 investment companies, but purchases or sales of trusts sponsored by one management group are treated as a unit. For example, the several trusts sponsored by J. & W. Seligman are considered as having the weight of one manager. Overseas Securities is included in addition to the companies listed in the companion table.

Tennis Tournament At Bond Club Outing

Plans for a round robin handicap tennis tournament as a feature of the Bond Club Field Day on June 2 were announced today by William R. Kaelin, Baker, Weeks & Harden, Chairman of the Field Day Tennis Committee.

Wall Street tennis players attending the outing at the Sleepy Hollow Country Club will be divided into two brackets, with each doubles team playing all other teams in its bracket and winners being charged with handicaps as the tournament progresses. The two winners of the round robin will play for the Bond Club championship in the afternoon.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The official opening at **Havana of the National Bank of Cuba**, which institution will provide the Island with a new currency of its own, occurred on April 27. In special advices from Havana on that date to the New York "Times" it was stated that President [of Cuba] Carlos Prio Socarras, speaking at the ceremony, declared that the establishment of the bank marked the beginning of Cuba's economic independence. From the "Times" advices we also quote:

"Following his speech, the President stepped to a teller's window and exchanged a one-peso silver certificate for the first new peso to be put into circulation. Until now, both United States currency and Cuban silver certificates have been legal tender in the Island. The certificates were a par with the United States dollar, but had no value outside the country.

"Felipe Pazos, President of the new institution, also spoke during the ceremony, which was attended by members of the Cabinet, Government officials, Island bankers and visiting officials of other banks throughout the hemisphere. Among the foreign officials were George B. Vest, General Counsel of the United States Federal Reserve System; Camille Gutt, E. M. Bernstein and Frank A. Southard of the International Monetary Fund in Washington and David Rockefeller of the Chase National Bank.

"The National Bank starts operations with $5,000,000 in capital, subscribed by the government, six American and Canadian banks and forty-four Cuban banks. It will operate as a bank of issue and rediscount."

* * *

The annual Fall Conference of the **Robert Morris Associates**, national organization of bank credit men, will be held on Nov. 5-8 at the Greenbrier, White Sulphur Springs, W. Va., it was announced on May 5 by Edward F. Gee, Vice-President of the **State-Planters Bank and Trust Co., Richmond, Va.**, who is General Program Chairman. The Carolina-Virginias Chapter of the Associates is in charge of arrangements for the conference, of which group Mr. Gee is First Vice-President.

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A license to maintain in New York State an agency of the **Banco De Ponce of Ponce, Puerto Rico**, was issued by the New York State Banking Department on April 26. The agency will be located at 153 East 116th Street, New York.

* * *

Oliver M. Whipple, Financial Vice-President of the Mutual Life Insurance Co. of New York, has been elected to the Advisory Board of the Rockefeller Center office of **Chemical Bank & Trust Co. of New York.**

* * *

William J. Miller, Jr., has been appointed Assistant Vice-President, George P. Jochum, Assistant Comptroller, and Edward K. Block, Auditor of **United States Trust Co. of New York**, it was announced on May 4 by Benjamin Strong, President. Mr. Miller joined the company in 1922 and was appointed Assistant Secretary in 194[illegible]. He is an officer of the income tax department. Mr. Jochum has been with the company since 1920 and has been Auditor since 1946. He is a certified public accountant and is a member of the National Association of Bank Auditors and Comptrollers. Mr. Block joined the company in 1937 and has been with the general accounting department.

* * *

Irving Trust Co. of New York has announced the promotion of John F. McIlwain and Grant W. Van Saun from Assistant Vice-Presidents to Vice-Presidents. Mr. McIlwain is a member of the Bank's personal trust division with many years' experience in the administration of estates. Mr. Van Saun is engaged in construction loan activities in the company's mortgage and real estate division.

* * *

CORPORATION TRUST CO., NEW YORK

	Apr. 24, '50	Dec. 31, '49
Total resources	$2,056,707	$2,111,723
Deposits	123,979	108,303
Cash and due from banks	1,119,187	1,107,093
U. S. Govt. security holdings	419,692	419,744
Surplus and undivided profits	523,699	463,391

* * *

E. Chester Gersten, President of **The Public National Bank and Trust Co. of New York**, has announced that Edwin L. Emery, Manager of the bank's accounts receivable department, has been appointed Assistant Vice-President and Henry J. Dengel and John T. Lawrence, of that department, have been appointed Assistant Cashiers.

* * *

Harvey D. Gibson, President of **Manufacturers Trust Company, of New York**, has announced that Walter R. Miller, Vice-President has been appointed Supervising Vice-President of all Brooklyn and Queens offices, succeeding the late Frederick W. Bruchhauser. Mr. Miller began his banking career in 1925 with the National Bank of Commerce in New York. In 1928 he started with the Chatham-Phenix National Bank & Trust Company and became associated with the Manufacturers Trust Company in the merger in 1932. He was appointed an Assistant Secretary in 1936, Assistant Vice-President in 1940 and Vice-President in 1944. He will have offices at the bank's Boro Hall offfice, 209 Montague Street, Brooklyn as well as at 55 Broad Street, New York.

President Gibson of the Manufacturers Trust, also announces that Charles F. French, Jr., and William Lonsdale, Jr., both of the credit department, have been appointed Assistant Secretaries. Mr. French has been with the bank since 1939. Mr. Lonsdale entered the company's service in 1936.

* * *

The officers and directors of the **Industrial Bank of Commerce of New York** gave a luncheon on April 29, at the Waldorf-Astoria to Clinton T. Miller, retiring Vice-Chairman of the Board; Howard B. Jackson, retiring Vice-President and Secretary and George J. Schutz, retiring Vice-President. Mr. Miller was executive head of the bank from 1933 until January, 1949, and since then has been Vice-Chairman of the Board. Messrs. Jackson and Schutz have been associated with the bank for 35 years. Walter E. Kolb, President of the bank, presented each of the retiring executives with a resolution expressing gratitude for their important contributions to the bank. Arthur J. Morris, Chairman of the Board, addressed the gathering, paying tribute to the retiring officers.

* * *

Colonial Trust Company of New York has removed its Downtown Office to 90 Wall Street, opening at that address on May 1, according to an announcement by Arthur S. Kleeman, President of the bank. Mr. Kleeman states that the Wall Street location represented the Colonial's belief that the vital eastern end of Wall Street, with its steamship lines, importers and exporters, and the nearby Cocoa, Sugar and Cotton and Coffee exchanges, presents a wide opportunity for additional banking cooperation. Mr. Kleeman further announced that William H. Bassett, Vice-President, will be in charge of the domestic banking departments, and Matthew T. Ryan, Assistant Vice-President, will head the Clearance Department. Trust Officers Harold Springer and T. A. Colombo will supervise the work of that department, and Juan X. Aguirre, Downtown Manager of the bank's International Division, will work with export and import clients in the Wall Street area.

* * *

Francis S. Bancroft, President of **Excelsior Savings Bank of New York**, announces that John P. Billhardt was elected Vice-President of the bank at a meeting of the Board of Trustees on May 8. Mr. Billhardt was Vice-President and Counsel for the Title Guarantee and Trust Co., in charge of their White Plains office. He has been associated with the trust company since 1930.

The 25-Year Club of the **Lincoln Savings Bank of Brooklyn**, recently held its dinner meeting at the Hotel Granada in Brooklyn. The club meetings are held twice each year and since its last meeting five members of the Lincoln family have completed 25 years of service. The combined service of the club's 40 members now total more than 1,200 years.

* * *

The New York State Banking Department approved on April 26 a certificate of increase of capital stock of the **Northport Trust Co. of Northport, N. Y.**, from $100,000 consisting of 1,000 shares par $100 each, to $150,000 consisting of 3,000 shares, par $50 each.

* * *

An offer by the **Hartford National Bank & Trust Co. of Hartford, Conn.**, to acquire the **East Hartford Trust Co. of East Hartford** on a basis of exchange of 4⅜ shares of the Hartford National stock for each share of East Hartford Trust has been approved by the directors of the latter bank, according to the Hartford "Courant" of May 5. The stockholders of both banks will act later on the proposal. The "Courant" in part also said:

"The East Hartford Trust Co. has 8,000 shares of $25 par value stock outstanding. The offer is the equivalent of almost $125 a share for the stock. Stock of the Hartford National currently in the local market is about $29 a share, par $10. East Hartford Trust Co. paid a dividend at the rate of $2.25 a share in 1949. The dividend rate on the Hartford National is $1.20 a share. Announcement of the agreement reached was made in a joint statement by Ostrom Enders, President of the Hartford National, and Robert B. Olmsted, President of the East Hartford Trust Co. Upon the completion of the transaction the East Hartford Trust will be operated as the East Hartford branch.

* * *

The completion of 50 years as a banker by Charles E. Spencer, Jr., Chairman of the board of the **First National Bank of Boston**, occurred on May 2, it is learned from the Boston "Herald" of that date. In his home town of New Brunswick, N. J., following his graduation from Rutgers Preparatory School in 1900, Mr. Spencer took his first job with the **National Bank of New Jersey**, said the "Herald," which further stated:

"He first came to Boston in 1918 as Deputy Governor of the Federal Reserve Bank of Boston and on March 17, 1920, was elected Vice-President of The First National Bank of Boston. He became President of the bank on Dec. 22, 1938, and Chairman of the board Dec. 11, 1947.

Mr. Spencer is also a director of a number of companies and corporations.

* * *

Plans for the taking over of the **Orange First National Bank, of Orange, N. J.** by the **National State Bank of Newark, N. J.** were indicated in the Newark "Evening News" of April 27. In an account of the proposals, C. J. Hamberger of the "Evening News," stated that the purchase, according to W. Paul Stillman, President of the National State Bank, will become effective June 1, with National State acquiring all assets in a $10,000,000 transaction. The account in the "News" also reported that total resources of the Orange bank are $11,300,000 and those of National State $112,000,000. It is also stated that the National State was founded in 1812, while the Orange First National stems from the Old Orange Bank founded in 1828. From the "News" we also quote:

"National State in today's action will purchase outright key assets of the Orange bank, loans, discounts, bonds and mortgages and building. It assumes all deposit liabilities. Orange First National proceeds into voluntary liquidation. The Orange bank will be maintained as an office, not a branch of National State, Mr. Stillman said, with its present officers retained in comparable positions of authority.

"The principal owners of Orange First National are J. S. Rippel, veteran Newark investment banker, who is also the largest single stockholder of National State, and M. Raymond Riley [President of Orange First National] second largest holder. The individual directors of the Orange bank, it is reported, control some 30% of the voting stock. Stockholders of the Orange First National Bank will act on the proposals on May 29."

* * *

The election of George D. Cherry as a Vice-President of the **Camden Trust Company, of Camden, N. J.**, was announced on May 1 by Robert J. Kiesling, President. Mr. Cherry has been assigned to duty in the trust department to succeed the late Judge Baldwin. He resigned his position as Vice-President and Trust Officer of **The First National Bank of Jersey City, N. J.**, a bank he has served for 18 years, to go with the Camden Trust Company. Mr. Cherry has been active in the American Bankers Association, the New Jersey Bankers Association and in civic affairs in North Jersey. He is a past President for New Jersey of the Trust Division of the American Bankers Association and is presently a member of the Committee on Trust Information. He is also a past Chairman of the Trust Committee of New Jersey Bankers Association and presently a member thereof.

* * *

William H. B. Anders, Vice-President of the **Citizens National Bank of Frederick, Md.**, since October, 1941, was elected President of the bank on May 3, succeeding the late Holmes D. Baker. Mr. Anders, a native of Union Bridge, Md., and a graduate of Blue Ridge College, began his banking career in 1912 when he became a clerk in the Union Bridge Banking and Trust Co., it is stated in the local paper from which we also quote the following:

"Mr. Anders was gradually promoted until he became the institution's President at the time of the consolidation with the Peoples Bank of Libertytown. He headed the Union Bridge bank until he came to Frederick as Vice-President of the Citizens Bank on Oct. 1, 1941. In January, 1942, he was elected a member of the board of directors of the bank. Mr. Anders is a past President of the Maryland Bankers Association. A member of the American Bankers Association, he has served three years on the Executive Council and was also a Vice-President of the Association for Maryland."

* * *

The election of James W. McElroy and Robert B. Hobbs as Executive Vice-Presidents of the **First National Bank of Baltimore, Md.**, occurred at a meeting of the directors on April 25, according to the Baltimore "Sun" which says:

"Mr. McElroy is now First Vice-President of the First National of Baltimore and Mr. Hobbs is Vice-President of the **Bankers Trust Company of New York.** Both changes will become effective next Aug. 1 which is the earliest date at which Mr. Hobbs will be able to relinquish his present New York post."

Mr. McElroy has been associated with the First National Bank (and one of its predecessors, the Merchants National Bank) for about 26 years. Previously, says the "Sun" he was connected with the Baltimore Branch of the Federal Reserve Bank of Richmond and prior to that with the Eutaw Savings Bank. Mr. McElroy was a former President of the Maryland Bankers Association. The same advices state that Mr. Hobbs began his business career in Baltimore with the former investment banking firm of W. W. Lanahan & Co., members of the New York Stock Exchange. He became manager of its bond department in 1929 and was made a general partner in 1932. On leaving the firm in 1942 Mr. Hobbs became Special Assistant to the Secretary of the Treasury at Washington. After a year in that position, he joined the Bankers Trust Company.

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Two new Assistant Cashiers have bee nelected by **The Bank of Virginia, at Richmond**, according to an announcement by Thomas C. Boushall, President of the bank. They are William Meade Starke, who is in the loan department at the bank's 8th and Main Streets office in Richmond, and Louis A. Boschen, Jr., manager for the bank's sales finance office in Roanoke.

* * *

The shareholders of **The Detroit Bank of Detroit, Mich.**, at a special meeting held April 25, voted to increase the common capital stock of the bank by issuing 50,000 additional shares of $20 par value each. The new stock will be offered to shareholders through issuing them rights to purchase new stock at a price of $60 a share on the basis of one share for each five shares held of record at the close of business on April 25. These rights will expire on May 10. The offering is underwritten by a group of underwriters headed by Watling, Lerchen & Co. and First of Michigan Corporation. The Detroit Trust Company will act as subscription agent. As indicated in our issue of April 20, page 1645, the additional stock will serve to increase the common capital stock from 250,000 to 300,000 shares.

* * *

The capital of the **First National Bank of Arizona, at Phoenix**, has been increased, effective April 24, from $1,430,000 to $2,000,000 by the sale of new stock to the amount of $570,000.

* * *

By a vote in excess of 75% of the outstanding shares, stockholders of the **Bank of America National Trust & Savings Association**, at a special meeing in **San Francisco** on May 2 adopted a proposal of the directors to issue 3,528,896 new shares of common stock and thus increase capital to

$150,000,000 and the total capital funds of the bank to over $380,000,000, exclusive of the reserve for possible loan losses of $45,000,000. Under the proposal as approved, the bank will issue transferable subscription warrants to its shareholders of record as of May 11, covering the right to subscribe for an aggregate of 3,412,684 shares of the new stock at a price of $20 per share on the basis of one share for each six shares of common stock owned, such rights to expire June 1. In addition, the bank will issue subscription forms to the shareholders with respect to the remaining 111,212 shares of new stock necessary to round out the capital to $150,000,000, covering the right to purchase shares in full share lots on the basis of one share for each 184 shares of common stock owned of record on May 11, at a price to be fixed by the directors. These additional subscription forms also cover the right to subscribe, subject to allotment by the board and at the price to be fixed by the board, for such portion of the entire issue of 3,523,896 shares of new stock as may not be otherwise taken by stockholders. These rights expire on June 1. An earlier reference to the plans to increase the capital appeared in our April 20 issue, page 1645.

N. Y. Stock Exchange Elects Boylan Chmn.

At the annual election of the New York Stock Exchange, the following officers were elected:

Chairman of the Board of Governors: Robert P. Boylan.

Robert P. Boylan

Members of the Board of Governors: Sherburn M. Becker, Jr., Fahnestock & Co.; David Scott Foster, Pershing & Co.; James C. Kellogg, 3d, Spear & Leeds H. Van Brunt McKeever, Goodbody & Co.; Otto A. Schreiber, Haydock, Schreiber & Co.; J. Marshall Booker, Corlies & Booker; William E. Hutton, W. E. Hutton & Co.; Hugh B. Baker, Baker, Weeks & Harden; William Bayne, F. S. Moseley & Co.; Joseph Klingenstein, Wertheim & Co.; James E. Hogle, J. A. Hogle & Co. (Salt Lake City); C. Palmer Jaffray, Piper, Jaffray & Hopwood (Minneapolis); Chapin S. Newhard, Newhard, Cook & Co. (St. Louis); Jay N. Whipple, Bacon, Whipple & Co. (Chicago).

Two Trustees of the Gratuity Fund: Thatcher M. Brown, Brown Brothers Harriman & Co. and John M. Young, Morgan Stanley & Co.

Nine Members of the Nominating Committee: Adams Batcheller, Jr., Dominick & Dominick; Robert Bennett Berman, Neuburger & Berman; William J. Denman, Shearson, Hammill & Co.; John C. Henderson, Charles F. Henderson & Sons; Emil J. Roth, E. J. Roth & Co.; Charles H. Wisner, Wisner & de Clairville; Walter F. Blaine, Goldman, Sachs & Co.; F. Malbone Blodget, Spencer Trask & Co.; George H. Walker, Jr., G. H. Walker & Co.

With Keizer & Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Bertram S. Matz is now with Keizer & Co., 19 Congress Street. He was formerly with Maxwell & Co.

Investment Dealers Ass'n of Canada Announces Convention Train Schedules

TORONTO, Ont., Canada—The Thirty-Fourth Annual Meeting of The Investment Dealers' Association will be held at the Seigniory Club, Quebec, starting Monday morning, June 5th and finishing Friday, June 9th.

The program is being arranged so that the business sessions for the members will be held in the mornings unless it is necessary, on account of unfinished business, to continue a morning session after lunch. There will be no annual dinner, so it will not be necessary to take formal dinner clothes.

Arrangements have been made with the Club to have the Fountain Room reserved as a bar for the exclusive use of members. This bar will be open daily for the serving of liquid refreshments, without charge to the members, similar to the arrangements carried out at the last two Annual Meetings. The registration fee for each member, which will be charged to his account at the Club, will be $25.

At the time of the Annual Meeting the Seigniory Club will be operating on Daylight Saving Time.

The rates at the Club will depend on the accommodation allotted to a member, as follows:

Typical Rooms

$12.00 per person per day, 2 to a room	American Plan
$14.00 per day, single	Food Tax extra

Suite Accommodation

$13.00 per person per day, 2 to a room	
$15.00 per day, single	American Plan
$10.00 per day, Sitting Room	Food Tax extra

All rooms have a private bathroom attached.

It should be noted that so few sitting rooms are included in the space allotted to us that it will be impossible to comply with all requests which will undoubtedly be received for sitting room reservations. The allotment of sitting rooms will be left to the Program Committee.

Fees for golf will be $3.00; tennis, $1.00; swimming pool, $75¢.

Following is a schedule giving train times (Standard Time) round trip fares and the rates for sleeping car reservations. Application has been made for the reduced rate to the Canadian Passenger Association under the "Identification Certificate Plan" and if this is accepted forms to obtain the reduced rate will be forwarded to members attending at a later date.

An accommodation form being sent members should be returned to the Toronto office of the Association as soon as possible on which should be given all particulars regarding the names of delegates to the meeting, the train number, date and train reservations required, and the accommodation required at the Club. Members should also indicate where they are sharing a compartment on the train and sharing a room at the Club. Members should note that the Association office will not arrange return railroad reservations unless specifically requested to do so, and it should be pointed out that members arranging their own sleeping car accommodation on the return trip should do so at an early date as at this time of the year sleeping car accommodation is booked on the railroads some considerable time in advance.

RAILWAY SCHEDULE and FARES

Schedules:

Lv. Vancouver	7.30 PM	Thursday	June 1	C.P. 8
Lv. Edmonton	3.00 PM	Friday	2	
Lv. Calgary	8.10 PM	Friday	2	C.P. 8
Lv. Winnipeg	6.40 PM	Saturday	3	C.P. 8
Ar. Ottawa	6.35 AM	Monday	5	C.P. 8
Lv. Ottawa	7.50 AM	Monday	5	C.P. 422
Ar. Montebello	9.22 AM	Monday	5	C.P. 422
Lv. Toronto	11.20 PM	Sunday	4	C.P. 24
Ar. Ottawa	7.35 AM	Monday	5	C.P. 24
Lv. Ottawa	7.50 AM	Monday	5	C.P. 422
Ar. Montebello	9.22 AM	Monday	5	C.P. 422
Lv. Halifax	8.00 AM	Sunday	4	C.N. 3
Ar. Montreal	7.20 AM	Monday	5	C.N. 3
Lv. St. John	5.15 PM*	Sunday	4	C.P. 41
Ar. Montreal	7.05 AM	Monday	5	C.P. 421
Lv. Montreal	7.40 AM	Monday	5	C.P. 421
Ar. Montebello	10.17 AM	Monday	5	C.P. 421

*Or 4.30 PM, except Sunday, 7.05 AM.

Rail Fares to Montebello & Return:

From Vancouver	$157.80
From Calgary & Edmonton	130.85
From Winnipeg	81.35
From Halifax	45.50
From St. John	37.80
From Montreal	5.40
From Toronto	21.05

To Ottawa From—	Lower	SBR	Compt(1)	Compt(2)	D. room(2)
Vancouver	23.10	46.20	58.00	65.00	81.00
Calgary & Edmonton	18.45	36.90	46.50	52.00	65.00
Winnipeg	11.25	22.50	28.50	31.50	40.00
To Montreal From—					
Halifax	5.95	11.90	15.00	17.00	21.00
St. John	4.35	8.70	11.00	12.50	16.00
To Montebello From—					
Toronto (or Ottawa)	2.50	5.00	6.50	7.00	9.00
Ottawa	Parlor car seat— .50				
Montreal	Parlor car seat— .50				

Stocks as Investments for Farmers

By ROGER W. BABSON

Noting for first time Western farmers are interested in buying stocks for investment, Mr. Babson ascribes this development to scarcity and high prices of new farm lands together with New York Stock Exchange advertising activities and selling of the Mutual Investment Trusts. Concludes all this is good for stock market.

Every year since 1940 — while traveling through our great Central West — I have seen a great improvement—better homes, new factories, finer cattle and prosperity everywhere.

Roger W. Babson

This is my first trip, however, when farmers and ranchers have asked me about stocks and bonds. Heretofore, they have been interested only in land values, prices of farm products and the condition of their banks. Now these men are convinced that both their farms and their banks are on a good sound basis. They are looking about for other forms of safe investment. This is especially true this year as crops are poorer and farms less profitable.

Probably one reason for the above change is the selling campaigns which the Mutual Investment Trusts are putting on in this part of the country, plus the enticing national advertising which the New York Stock Exchange and their members are doing. Furthermore, many of the farms are being operated or owned by sons and daughters who have been to college and studied economics, investments and allied subjects.

Farmers Want Interest on Their Money

Heretofore, farmers have only been borrowers with no money to invest. Now with money to invest they see the other side of the picture. They have been trained to believe anyone who borrows money should pay 6% to 8%. This rate they have been forced to pay. Now that these farmers themselves have money to loan, they also want to get these high rates. When the banks offer them only 1% to 3%, they are disgusted.

As very few farm loans are now available, the stock market is the only place where these farmers can get the 6% to 8% which they have been forced to pay for years. Their children believe that the stocks of our large industrial companies which pay 6% or more are perfectly safe. They are gradually selling this idea to the old folks. The children are not talking "profit" but only safety and income. As a result good dividend paying stocks are being bought here in large quantities.

Will Farmers Ever Get Frightened and Sell?

Farmers are paying cash for these stocks and putting them in safe deposit boxes. What these buyers will do when the next depression comes, no one knows. My guess is that if reasonable dividends are continued, these farmers will continue to hold the stocks, however much they may decline in price. The newspapers out here give little financial news and, with the exception of the big dailies, very few quotations. Farmers are not speculators, but are income-minded. Many also are depending upon the Weekly Reports of long established Investment Advisors which is much to their credit.

This new development is a good thing for investors everywhere. It opens a new market for those Eastern estates which are compelled to liquidate upon the death of some prominent member; further it puts the stocks in the hands of permanent investors. This is more to be preferred for all concerned than to have the stocks in speculative broker accounts in New York or other cities. In fact, I feel much better about the stock market today, than when leaving Washington several weeks ago.

Employment Outlook

Due to the increasing number of young people reaching working age plus the better health of older people and the greater use of labor-saving machinery, a rise in unemployment may be expected throughout all sections of our country. This will reach about 6,000,000 during 1950. This unemployment will not be evident here in the Central West until October; but over the entire year it will be considerable. Remember this Western section is fast becoming industrialized.

I am glad to report that farmers are not responsible for the nation's great rise in installment buying which has now reached about $11,000,000,000, a gain of $2,500,000,000 over a year ago. Money in savings accounts for the entire nation, thanks to the farming sections, continues to equal 1949's figure of $4,300,000,000. The city people, however, are now saving less than 2% of their income while the "average American" of the rural sections is saving 6%. Retail sales and new building are now less in the large cities of the East; but are holding up through the Central West and Pacific Coast. It rather looks to me that the Central States through which I am traveling will do much to cushion the next depression, including stock market and commodity prices.

John Korn Partner In Hecker & Co.

PHILADELPHIA, Pa.—The admission of John C. Korn to general partnership in the firm of Hecker & Co., Liberty Trust Building, members of the New York and Philadelphia-Baltimore Stock Exchanges, has been announced. Mr. Korn recently retired as Secretary and Arbitration Director of the New York Stock Exchange after 32 years of continuous service with the Exchange.

Mr. Korn, because of his long and intimate association in the administration of the Exchange, is widely known in the investment field. He is a past President of the Brokers' Square Club of New York City and of the New York Stock Exchange Quarter Century Club. He holds honorary membership in the Friday Night Bond Club and is a member of the National Panel of Arbitrators, American Arbitration Association.

Mr. Korn began his employment with the New York Stock Exchange on May 1, 1918. He served in various capacities with the Exchange until March, 1950, when he retired as Secretary and Arbitration Director. He is a native of New York City and resides at Rutherford, N. J., where he has long been active in civic affairs.

His admission to the firm was previously reported in the "Chronicle" of April 27.

Continued from first page

Business and Banking Outlook

considerations which motivate the decisions of the monetary and debt managers will enable you to anticipate or, at very best, to keep in step with changes in our directed economy. Since the volume of your loans, the volume and character of your investments, and the trend of your deposits will depend on business activity, Treasury operations and Reserve Board policies, they will now be considered, one by one.

The Outlook for Business Activity

The most fundamental factor in economic life is the level of business activity—all else is either dependent on it, or aimed at influencing it. On this score there is nothing to worry about for the next few months. Although weaknesses are beginning to develop in the economic structure, the average level of business activity for 1950 should be a little higher than 1949. The fourth quarter, however, promises to be somewhat lower; moreover, the present, very-long-range outlook for the first half of 1951 is for still less satisfactory business activity. The reasons for these conclusions will now be given in varying degrees of detail.

The most outstanding upward pressure on business activity is the continued high level of cash income of farmers. While it dropped 10.1% from its all-time high in 1948, to $27,704,000,000 in 1949, and will be around $25 billion in 1950, the total is still some three times the 1930 levels.

Construction activity is also at extremely high levels. Because of the open winter in many parts of the country, an exceptionally high volume of construction was maintained during December, January and February. The Department of Commerce estimates that a new all-time high of 1,019,000 dwelling units were started in 1949. This high level continues, in fact, has even gone higher, as F. W. Dodge Corporation reports that **residential** building contracts awarded in January and February of this year were 89.7% higher than a year ago! This extremely high rate, however, is not expected to be maintained throughout the year because building costs have also hit a record peak. The index (1926=100) of building costs rose to a record 213.2 in February. As this is more than double the prewar year of 1938 index of 103.9, it should exercise a retarding influence.

Continuation of large government expenditures is another buoyant factor. Even more buoyant is the resumption of deficit financing, because in addition to its direct inflationary effect, it gives birth to a widespread inflationary psychology among many investors and businessmen.

The inflationary effect of ever higher wages needs no elaboration. The way our standard of living, as evidenced by retail sales, especially durable consumer goods sales, is holding up, however, does warrant a comment. Retail sales of $128,184,000,000 in 1949 were down in dollar value 1.4% from the all-time high of 1948; but since retail prices similarly declined 2.6% from the earlier period, the physical volume of goods sold in 1949 was **actually greater than in the so-called peak year of 1948.** Likewise, the quantity of goods sold **in January, 1950 was greater than in any previous January. In particular, despite public opinion to the contrary, dollar value of goods sold was 1.7% greater and quantity was 5.9% greater in January, 1950 than in January, 1949.**

Demand for durable goods — automobiles, television sets, refrigerators and major household equipment — continues at unbelievably high levels. The Federal Reserve Board survey of consumer buying expectations indicates that more than 1,000,000 people "definitely" plan to buy homes this year, although a growing number is determined to pay less than $10,000. This survey indicated that there would be a continuation of the strong demand for automobiles, although there was "preliminary evidence that middle and low income consumers comprise a large part of the prospective demand in 1950." Viewed quantitatively, the demand for automobiles is bound to be strong if there are any sizable price reductions. This prospect is based on the large number of over-age cars and the demand creating aspects of lower prices!

Although current personal savings have been running at an annual rate of only $4.3 billion, the accumulated liquid savings of our people exceed $200 billion. The farmers, in particular, are in good shape with cash, bank deposits and savings bonds holdings of probably $19 billion, with long-term debt under the prewar level and with short-term debt in very favorable relationship to their annual income.

The Unfavorable Signs

On the unfavorable side, I would put agricultural price supports as the most dangerous factor, although many would disagree. I don't like props; I prefer foundations! So, maybe I'm prejudiced. But, in any event, the Department of Commerce reports that as of March 1 some 850,000,000 bushels of grain were held by the government—and men who follow agricultural marketing expect the total to exceed $1,000,000,000 bushels by the end of the marketing season, unless, of course, the weather intervenes.

The Commodity Credit Corporation holds 73 million pounds of dried eggs—a 10 years' normal supply! And, it is currently buying twice as many dried eggs as it was at the same time a year ago.

The Corporation has acquired more than 100,000,000 pounds of butter in its 1949 support operations. With butter production running 10% ahead of last year, with the 1950 support price actually one cent higher than the initial 1949 support level and with the increased competition from margarine, a scandal similar to the potato debacle would seem to be in the making.

The corporation has a fifteen months' supply of flax-seed and linseed oil and varying quantities of the other supported commodities.

On the cash side, Secretary Brannan estimates that a minimum of $4.9 billion and a probable requirement of $5.9 billion will be needed for the 1950-51 crop years. Because of this, he has asked that the Commodity Credit Corporation borrowing power be increased from $4,750 million to $6,750 million.

The return of the buyers' market, except in steel and, possibly, automobiles, is another important deflationary influence. Although some businessmen seem to have forgotten, a buyers' market is the normal market in this country. Keen competition in price and quality and unending struggle for volume are traditional in America, because our productive capacity is so great. Government actions have largely obscured the extent to which we have returned to our normal condition of oversupply at prevailing prices, but the basic factors are there.

Auto Sales Vulnerable

Automobiles are generally thought to be further away from an all-out, rough and tumble buyers' market than any other manufactured product, so let us weigh two or three of the important factors in that market. In 1949, despite the steel strike, 5,118,900 cars were produced in contrast with the 3,912,215 produced in 1948, an increase of 31%! On the demand side, automobiles are not wearing out fast enough! Since 1925, the lifetime mileage of automobiles has quadrupled and the average age when scrapped has doubled. In 1925, cars, on the average, were scrapped at 25,740 miles and 6.5 years, whereas by 1949 the average had risen to a little more than 100,000 miles and to 12 years. This is bound to affect the replacement demand.

Increased costs of **production** in steel and in the automobile industry itself will **make difficult,** if not impossible, the price reductions which will be needed later in the year to maintain sales volume.

Consumer Credit Weakness

Another weakness is that consumer credit has been used so heavily to finance the demand for durable goods. To be specific, instalment credit based on automobiles increased $1,214,000,000 from the Jan. 1, 1949 figure of $1,965,000,000 to a grand total of $3,179,000,000 in January, 1950. The present debt is far larger than the $1,318,000,000 of instalment credit used to finance the previous record output of 4,587,400 cars in 1929.

It is only fair to point out, however, that the above figures are not as far out of line as they appear, as it is a different dollar and the income level is much higher. Also, the total consumer credit figure of some $18 billion reported by the Federal Reserve Board includes about $2 billion which is not regarded as consumer credit by many economic analysts. Nonetheless, viewed in total, consumer credit of all kinds has increased an average of $3 billion a year since the end of World War II. No matter how it is rationalized—and it can be rationalized—that is a whole lot of personal debt. The swollen total and the extreme liberalization of consumer credit terms encountered in some sections—you know, a dollar down and a dollar forever!—constitute real elements of market weakness. (As you know, here and there, advertisements announce loans for the value of the car with 36 months to pay; also, coin meter sales of refrigerators, radios and television sets. But, worst of all, sales finance contracts with "balloon" payments have reappeared.)

Capital Expenditures Decreasing

Another unfavorable factor in the business outlook is the continuation of the downward trend in capital expenditures by private corporations. Government estimates indicate a decline of 8% in the first half and 14% in the second half of 1950 as compared with last year. The decline, however, is spotty. For example, public utilities expect to spend nearly as much as in 1949, but railroads plan to spend 44% less. Any decline in capital expenditures always exercises strong deflationary pressure, because such expenditures have a magnified effect on the economy. That is, capital expenditures compete for labor and materials, but no goods are created during the construction period to offset the addition to the income stream.

Unemployment

From the long-range standpoint, the most serious weakness in our economic structure is the unemployment situation. It is not the total—which is less than 5,000,000 and is declining due to seasonal influences—that worries me; it is the fact that the number of those gainfully employed has been running about the same as a year ago, whereas the **unemployed** have increased by some 1¾ million. This means that the economy is not absorbing the workers as fast as they become available—and 1949 was a good year! To get the proper perspective on the seriousness of this development, it is only necessary to weigh it against the net population increase of 18 million in the '40's!

While there are several reasons for this increasing unemployment in good times, I should like to mention two, at least. They are both quite simple and easy to see. Unfortunately, those who most need to see the ultimate disastrous consequences of the policies causing this problem continue to disregard the economic and social dangers they are creating.

I refer, first, to the constant increase in labor cost which forces producers to substitute capital for labor in the production of goods. Paradoxically, with the "wages" of credit and, particularly, long-term capital at the lowest point in history, labor insists on the highest wages in history. Now that competition is getting keener, the producer has no choice; he must hire the cheaper factor or he will not survive. Capital is cheap and labor is dear, so more capital and less labor will be used — it's as simple as that!

The second reason for increasing unemployment is cost rigidity caused by the failure of the increases in efficiency to catch up with the increases in costs. Traditionally, increases in efficiency and productivity in America led to lower prices which increased the demand for the product and thus increased employment. But the prevailing view today in government and labor circles is that the benefits of all such increases in efficiency and productivity should go to labor, one group in the economy, rather than to all consumers in the form of lower prices. This leads to price rigidity which transforms a dynamic economy into a static one. Increasing unemployment is inevitable under such circumstances. At best, it will be limited to the newcomers to the labor force; at worst—well, let's not scare ourselves to death!

There are many other factors of weakness and strength in the economy, but time does not permit their elucidation. Sufficient to repeat that 1950 will be a good year, but competition will be keener. In view of this increased risk, good bankers will follow sound conservative policies on mortgage lending, on consumer credit transactions and on loans to business enterprises which have not been tested in the fires of competition.

Treasury and Reserve Policies

As a previous speaker has covered the Treasury operations which may be expected this year, I'll merely say that deficit financing of $5 to $7 billion will increase your deposit total. Moreover, as at least some and, at most, a large part, of the new financing and the refundings will take the form of medium-term issues, some of your investment problems will be solved.

The policies of the Reserve authorities will be determined by the rate of business activity and by the needs of the Treasury. On the basis of actions taken in 1948-49, the Reserve authorities favor flexibility in short-term rates. While the fluctuations permitted so far have been small, they do conclusively demonstrate that they are willing to permit an increase in the certificate rate from ⅞ths to 1¼% to fight inflation, and a decrease from 1¼% to 1⅛% to counter deflation. On the basis of this pattern of past performance, it seems clear that a certificate rate of 1¼% may be reached when inflationary forces are in the ascendancy, whereas a reduction of the rate to 1%, or even lower, may be anticipated if deflationary forces become pronounced.

On the long-term side, this greater flexibility will be reflected in more flexible support of the market prices of long-term issues. While there is no chance of them abandoning the policy of keeping the government bond market **orderly,** you must not expect the same rigidity as in **1948.** With respect to such fluctuations, Harold V. Roelse, Vice-President of the Federal Reserve Bank of New York, told the Savings Bank Bond Men of New York State the other day: "The long-term holder of long-term bonds need not be concerned, but the investor who attempts to get a long-term rate for short-term holding—and perhaps a trading profit as well—must assume the risks of such a policy."

Caution on Loans

Turning to loans, business has become more risky. Competition is really getting "rough" in many lines. Costs are high; profit margins in most lines are narrowing; and failures are beginning to be a real hazard in some lines. This means loan officers will have once more to employ the careful investigation and detailed analysis techniques of the thirties if they are to get their share of the loan volume and avoid more than their share of losses. Experience and judgment will once more be invaluable in passing on credit applications:

To put it specifically, you should be extremely careful in your **consumer credit** department. Remember, the automobile or the television set can't pay for itself! You must look more carefully at the borrower rather than rely so much on the collateral. In fact, this observation applies to all small local loans, especially those where you do not have standardized commodities or other readily marketable collateral.

Mortgages should be viewed more and more critically. The entire country, but most particularly the South, is in the throes of a major building boom. As you know, this boom is based primarily on the cheap financing made possible by government guarantee and other intervention. Despite local optimism, many communities are overbuilding. This oversupply of housing, in particular, will become painfully apparent in some localities before the year is out.

Added to this potential oversupply, even at present income levels, is the probability of foreclosure on some of the properties financed under Title 608. Although such foreclosures will not entail losses to the mortgagees, they will adversely affect similar properties. This, in turn, can have an adverse effect on the safety of conventional mortgages in the localities involved.

Moreover, regardless of the prospect of a greater supply of housing than is needed, public housing activity will be continued.

This all means that within the next two or three years, the values of old properties are bound to decrease materially. Sound valuation and substantial amortization will prove to be a banker's best friend under such circumstances.

Investment Policy in 1950

After, but only **after,** meeting the demand from good local borrowers for loans, a banker is justified in turning to investments for earnings. (It goes without saying that sufficient short-term issues should be carried at all times, to meet liquidity requirements.) Obviously, if a bank is carrying a large portfolio of loans, its investment policy should be more conservative. **If, however, loan volume is small, earnings may be stressed more in the investment program. But, in "reaching" for**

income, a banker must always keep in mind his capital-deposits ratio and his capital-risk assets ratio. His maturity distribution should be largely determined by these ratios.

Governments, of course, do, and should, constitute the greater part of your investments.

Municipals can be justified only if they are high-grade, and **only** if their yield is greater than on the U. S. Government issues with a similar maturity. Their risk is greater than governments; and their marketability is limited, whereas, the government issues are readily salable in a protected market. Such limited marketability as some of the smaller municipals issues now enjoy, would disappear in a first-class business reaction. Of course, to the extent that you need their tax exempt feature, you should buy municipals, but you should not overlook their shortcomings in your search for tax reduction.

Corporate securities of the very highest quality may be safely carried if the total is kept small in proportion to the balance of your portfolio. Corporates should not be bought unless you have facilities to keep in continuous touch with developments affecting them; nor should they be bought unless you can get sufficient return to compensate for their higher risk.

Under no circumstances should you buy credit bonds. They just don't belong in a bank. And, even if they did, they should not be held now, with the prospect for declining business activity growing, day by day.

Deposit Outlook

Deposits should hold their own, or do even better, in the next few months. Renewal of deficit financing will tend to increase deposits as banks buy the government obligations. Off-setting this, however, credit extension is reaching peaks in some fields, and when it begins to taper off deposits will be adversely affected. On balance, there should be no great change in the deposit total for the whole country. There may, of course, be seasonal or local factors which will cause your deposits to move differently. But, if so, be sure that these factors are not artificial—that they have sound economic bases.

Conclusions

The outlook for banking calls for "moderation in all things." Business will be good for the next few months, but the prospect is for a slackening before the end of the year. Competition is much keener and those with inadquate experience or insufficient capital will fall by the wayside in increasing numbers.

Banking policy in the months ahead should be cautious and conservative; but it should not be negative. There has never been a greater opportunity for banks to do a constructive job for the American people. As my distinguished colleage, Marcus Nadler, so well said the other day: "A sound, well administered banking system is the strongest assurance against booms and busts."

With Johnson-Tillman Inv.

(Special to The Financial Chronicle)

LAKE WALES, Fla.—Lovic W. Livingston has become associated with Johnson-Tillman Investments. He was formerly with Waddell & Reed, Inc. and Herrick, Waddell & Co., Inc.

Joins Green, Erb Staff

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Robert A. Parrett has joined the staff of Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

Public Utility Securities

By OWEN ELY

Kentucky Utilities

President R. M. Watt of Kentucky Utilities recently gave a talk before the New York Society of Security Analysts and also presented a book of statistics and charts pertaining to the company's business and operations.

The company earned $1.48 in 1949 vs. $1.43 in the previous year and 51 cents in 1945. Mr. Watt forecasts earnings of $1.75-$1.80 or better for 1950, and over $2.00 in 1951. Moreover, he estimates that if the company encounters a depression similar to that of the early 1930s (with an estimated 25% loss in industrial revenues 15% in commercial, 10% in residential, and 5-10% in miscellaneous, or an average of 15%), they could still earn $1.37 without allowing for any reduction in wage costs. This would be accomplished through eliminating purchased power and concentrating generation in the lower-cost modern plants.

The reason for the anticipated increase in earnings in 1950-51 is principally the company's new generating capacity. According to the table on page 20 of the statistical book, plant capacity in the first quarter of 1950 jumped from 156,000 kw. to 231,000 kw. and "purchased power capacity" dropped from 82,000 kw. to 40,000 kw. These figures reflected the placing in service of the Green River Steam Generating Station; the first 30,000 unit was put in operation in January, and the second in March. The plant is located near the center of coal fields which will supply an ample amount of low-cost coal. The company also last year completed an important high-tension line between Dix Dam and the new generating station, thus interconnecting the company's center and western systems and providing a means of transferring any surplus power from Green River plant to the central Kentucky area where coal costs are higher.

Mr. Watt refused to be drawn out by questioners with regard to the timing of any increase in the conservative 80c dividend rate, which is less than half of the anticipated 1950 share earnings. He favored a conservative dividend policy but admitted that stockholders might reasonably expect an increase in the current rate.

The company last year earned at the rate of about 6% on the estimated rate base including account 100.5 (plant acquisition adjustments). However, Mr. Watt has estimated that cost of reproduction of the prewar power plant would be at least $15 million in excess of book figures. On a "fair value" basis the rate base should be in excess of the book figure.

The company's relations with TVA are on a sound footing after 15 years of "holding the fort." They have a power interchange with TVA and at times buy dump power very cheaply. However, according to the company's annual report, TVA intends to market the output of the 250,000 KW Wolf Creek Dam Plant, scheduled for completion in 1952.

Moreover, the East-Kentucky Rural Electric Co-op wants to build a $28 million generating and transmission system to supply 18 REA's, the program to be completed by 1959. The Co-op has applied to the Public Service Commission for a bill of convenience and necessity. Kentucky Utilities will be the principal intervener although Union Electric of Missouri will also appear. Mr. Watt considered it unlikely that the application would be granted.

There is also some activity "west of the river" for municipal ownership; the City of Paducah has initiated proceedings to acquire about $3 million of property located in or about that City, and the proposal may be voted on next November. Mr. Watt does not anticipate any loss of value if the property is taken by the City.

The company's construction program is being expedited somewhat, and they expect to spend $18 million in 1950-51, of which $6.5 million of new money will be required. At the moment they do not contemplate any common stock financing.

Kentucky Utilities Company serves 490 communities in Kentucky and three in Tennessee and the adjacent rural areas with electric utility service, and two communities in Kentucky with gas utility service. The western, central and northern sections of Kentucky are particularly adapted to agriculture and the eastern section is devoted primarily to bituminous coal mining. The western section, largely underlaid with coal, grows dark tobacco, fruit and grain; the central or blue grass area is devoted principally to burley tobacco, grain, grazing (cattle and thoroughbred horses) and whiskey distilling; and the principal products of the northern portion of the area served are burley tobacco, cattle and dairy products.

The demand for electric energy in 1949 exceeded all previous years, notwithstanding the prolonged coal miners' strikes during the year. Even though the mines were not in operation 37% of the permissible working time, the company's electric revenue from mine power was only 8.3% less than the mine power revenue for the year 1948. Due to increased use of electric energy by customers of all other classifications and increased number of customers, total electric revenue was 8.35% greater than the previous year, and more than double the electric revenue of ten years ago. United States Coal and Coke Company, the largest customer served by the Company, accounted for only 1.1% of the total electric revenue in 1949 and the ten largest customers of all classifications accounted for only 3.9% of the total.

Graham, Ross & Co. Being Formed in N. Y.

Graham, Ross & Co., Inc., is being formed with offices at 82 Beaver Street, New York City. Officers will be P. Vincent Victorson, President and Treasurer; Edward C. Victorson, Vice-President; and M. Ross Victorson, Secretary. All have been associated with the New York office of Graham & Co.

Paul A. Davis Adds

(Special to The Financial Chronicle)

MIAMI, Fla.—John C. Howell has been added to the staff of Paul A. Davis & Co., Ingraham Building.

Dean Witter Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Edward N. Ziegler has been added to the staff of Dean Witter & Co., 632 South Spring Street.

Foresees New Intermediate to Long-Term Government Refunding Bond Issue

Sylvia Porter tells Florida bankers new pattern of Treasury refunding operations is likely, but sees no indication of higher interest rates.

Speaking before the Third Annual Bank Executives' Forum of the Florida Bankers Association at Daytona Beach on May 9, Sylvia Porter, Editor of "Reporting on Governments," a weekly newsletter on United States Government securities, and nationally-syndicated newspaper columnist, declared that a new era in Government debt management opened in 1950. "The Treasury has moved away from the initial postwar refunding pattern which primarily involved certificates and just a few notes. In line with its oft-stressed policy of 'tailoring issues to the needs of investors,' it may be expected to allow much more variety in future refundings, and bonds as well as notes are on the calendar."

Sylvia F. Porter

"For the first time in years," Miss Porter added, "new issues of intermediate to long bonds for commercial banks appear to be on schedule, and an offering in this category is an excellent prospect for the $7 billion September refunding.

"This will importantly alter the supply situation in the Government market," Miss Porter emphasized. "In addition, beginning two years from this month, billions of now-ineligible intermediate bonds will become eligible for bank purchase. The first issue of ineligibles — the $2 billion of 2½% bonds due 1967-62—enters the bank-eligible list May 5, 1952. A new pattern is being drawn and banks which minimize or ignore the changing outlook will forfeit significant opportunities to adjust their portfolios for maximum income, safety and appreciation."

Miss Porter suggested it is highly improbable that Secretary Snyder will offer higher-coupon bonds to banks for cash in the near future. "That would be almost too much of a windfall to expect," she remarked. "Despite the wishful thinking of some bankers and adherents to the Douglas Committee's philosophy on Federal Reserve-Treasury relationships, the $5.7 billion annual interest charge on the debt still is and will remain a key factor in financing decisions."

But whichever way the refunding problems of the next five years are viewed, the above analysis of terms makes sense, Miss Porter continued. "With the large issues sold during the war years now coming up for refunding, the Treasury well may approve longer-term offerings carrying a variety of coupons. The coincidence of deficit financing with this huge refunding program surely would justify refundings that extend the debt when this may be done at interest cost savings as well. Commercial banks hold a major total of such maturities as the 2s and 2½s of September, 1952-50 and were the refunding of these restricted to short-term notes, the banks would lose large amounts in earnings and the entire market might be upset as a result. This would be to the disadvantage of the Treasury as well as to the banks and the market—one reason why a longer-term refunding is expected. The Treasury is sympathetic to the idea of more variety in offerings; the Federal Reserve Board has urged this policy for some time. Over the coming months," she said, "the predictions here should become market realities."

On interest rate fluctuations, Miss Porter declared that the "key to movements is now and will continue to be the trend of business. There can be no thorough understanding of the Government bond market unless this prime point is understood first. For upon the business trend will depend the demand-supply pressure in the market and thus, its 'orderliness'; upon the economic trend will depend the need for official policy moves in the debt management area."

The policies of the Treasury and the Federal Reserve Open Market Committee at this time are geared toward exercising "moderate" restraint on credit expansion and simultaneously, toward helping to maintain business at its present high level of activity, she said. "The Reserve Open Market Committee's prolonged and persistent liquidation of bonds from the Reserve portfolio has been designed with four basic objectives: (a) to bring long-term bond yields more in line with the fundamental 2½% rate so that bona fide investor demand may be satisfied at relatively reasonable levels; (b) to stabilize yields in other markets —corporates and municipals—and thereby to head off another wave of bond refundings at new low interest rates; (c) to place moderate restraint on extension of bank credit and, of course, the Reserve's portfolio sales since the start of the year have mopped up considerable amounts of non-bank funds; (d) to prepare the market for a new long-term non-bank offering when the Treasury is convinced sufficient non-bank funds have accumulated to justify the sale.

"At the same time, Secretary Snyder is moving with customary and commendable caution in the area of interest rate changes. His decision to refund the June-July certificate issues with a 13-month 1¼% note is unmistakable evidence of his attitude here. Clearly, the entire program is designed to attain and maintain stability. Specifically, as far as basic yields and Government bond prices are concerned, the aim is to keep them within a range protecting the 2½% rate from attack on either side."

Small Business Sales Volume Up

A study of the records of more than 5,000 small business units indicates that sales volume during the first quarter of this year is holding to levels 10% or more above the same period in 1949, according to a statement issued by J. W. Hession, Executive Vice-President, Accounting Corporation of America, of San Diego, Calif.

Increased costs and operating expenses are largely offsetting the gain in sales, however, with a resultant decline in net profits, Hession pointed out. Analysis of operating statements for the entire year 1949 and the first two months of 1950 shows this decline to be general among 40 basic business types comprising approximately 75% of all business units in the United States.

Continued from page 4

Planning an Investment Program

Program to Meet the Goals

Knowing our goals we must still determine how best to select an investment program which will meet these goals. This is also not an easy task particularly since the goals themselves are contradictory. For example, while a high-grade bond perhaps gives us the greatest safety of principal since we are in a creditor position, such a bond will yield a very low return and will also give us no protection whatsoever against possible inflation. A common stock, on the other hand, which may provide inflation - protection carries no assurance of dividends and may suffer a substantial price decline should business turn downward.

We can see at this point that our investment program will have to be composed of several different types of securities, which may be roughly divided into two general groups—defensive securities and offensive securities. Turning first to the defensive group, until some ten years ago our selection of securities in this group would probably have been a painstaking one with the necessity of choosing from among a substantial number of high grade bonds and preferred issues. Fortunately for us, the composition of this portion of our program is now a simple one since we can complete it simply with the purchase of Government Savings Bonds.

U. S. Savings Bonds

For the investor these Government Savings Bonds provide the ideal defensive security. They remove all risk as far as security of principal is concerned since it is unthinkable that the Government will ever default on their redemption. In their two most popular series—the E Bonds and the G Bonds—these bonds provide a return if held to maturity of 2.9% and 2.5% respectively. In contrast, Standard & Poor's A1+ Bonds, the highest grade privately issued bonds, provide a yield of only 2.44%, while money left in savings banks earns only 2% or less. Even high-grade preferreds offer an average yield of under 4%. Until such time as privately issued bonds of high caliber provide a yield substantially above those afforded by the Government Savings Bonds we repeat that the entire defensive portion of the investment program can be met with Government Savings Bonds. Professor Graham elaborates on this position at considerable lengths in his book to which I refer you since we must get on.

Bonds and Preferred Stocks

Is there then no place for bonds and preferred stock in our investment program? Again agreeing with Professor Graham we believe that there is such a place but it is in the offensive section rather than in the defensive section and that the type of bonds and preferred stocks that will interest us are not the high-grade ones but those which appear to be overly depressed with strong potentialities of substantial capital gains. As we noted in our early lectures the quality of high grade bonds and preferred stocks in most instances seems to be fully appreciated by the market so that yields from these issues are generally low. More than this, however, the prices of such securities are generally above par and often above their call price so that in our opinion there is only one way such securities can go pricewise—and that is down. The odds are therefore against the investor to begin with. In addition, as we noted earlier, most bonds and preferred issues provide that they may be called in at the option of the company so that if the return offered by one of these securities is higher than the market generally it is likely that it will be called and replaced with a lower yielding one leaving the investor with the problem of again finding an outlet for the defensive funds in his portfolio.

Convertibles

You may well ask whether all of this holds true for convertible bonds and convertible preferred stocks of high quality or whether the conversion feature does not provide the investor with an inflation hedge and an opportunity to realize a greater return in the future. Theoretically at least this is the case. Actually, however, as we noted in our first two lectures the conversion feature has not generally worked out to the advantage of the investor. All too often the conversion feature has been an added attraction to sweeten a security offering which might otherwise not be strong enough to stand on its own feet. If the security is of excellent caliber to begin with there is probably no reason for the conversion feature. Like so many rules in the investment field this is, of course, not true in every case. Where a company is well established with a proven earnings record, such as the American Telephone & Telegraph Co., or the Consolidated Edison Co., its convertible issues may have substantial merit and deserve careful consideration.

Since the defensive section of our investment program provides us with only a small return and with no protection against inflation we must also include an offensive position which will give us greater income and an inflation hedge. This is generally accomplished through common stocks. But common stocks are essentially volatile and unlike bond interest, a company has no obligation to pay dividends so that the income which an investor may receive from common stocks is subject to greater variation. We must, therefore, formulate some rules to guide us in their selection.

Common Stock Selection

We have already studied a number of the important considerations in common stock selection such as the record and outlook for earnings and dividends, book value, and net current assets. To provide concrete measures of these factors, however, is quite another matter. Professor Graham offers a number of valuable suggestions but even the formulas outlined in his book leave a good deal to individual estimate of a qualitative nature such as the number of times at which prospective earnings should be capitalized and even the estimate of what future earnings will be.

Since we must have some rules, however, we might give consideration to the following; keeping in mind that they must be taken more as a group and that no one rule or few rules are sufficient measures of a security's merit.

(1) A record of earnings in at last each of the last 10 years and preferably in each of the past 15 years.

(2) A record of dividend payments in at least each of the past 10 years and preferably in each of the past 15 years.

(3) Price shall not be greater than 20 times average earnings over the past 5 years.

(4) Estimated future earnings should not be capitalized in excess of fifteen times. However, the estimate of future earnings and whether to use a price-earnings ratio of 8, 10 or 15 is largely a subjective decision.

(5) If price is below net current assets per share this is an important consideration but again one of a non-quantitative nature since a security may be acceptable even if there are not net current assets or even if it is selling in excess of its book value. The significance of the net current asset figure is that where a security sells below net current assets per share the market is in fact giving no value to all of the company's other assets and doesn't even believe the security is worth what might be readily obtained in a liquidation. This is indeed a pessimistic view, particularly where a company has demonstrated earning power and a dividend record. However, too much importance cannot be attributed to the net current assets figure since as we have already noted companies do not generally liquidate and such assets may eventually be dissipated.

(6) To the extent that a company borrows money it should obtain this money at a low interest rate which is an indication that its credit is good. Just how low a rate is again a subjective judgment and is partly a matter of the general level of rates at the particular time. Some very excellent companies, moreover, have issued non-callable bonds in periods of high interest rates and therefore their record at the moment appears poor when interest rates are generally low. In such a case the high interest rate is no reflection on the company's credit.

(7) Capitalization should be in line, that is not too heavy a proportion should be represented by debt or preferred stock. Just what "in line" actually is, however, as we have seen, varies industry by industry and is subject to fairly wide ranges even in the same industry. Even the absence of any debt or preferred stock is no indication of a sound capitalization. This is another of the largely qualitative measures.

(8) Since marketability is particularly important when we come to sell a security we must also make sure that the security generally enjoys a good market. Although listing on an exchange is often an indication of a ready market this is not necessarily the case and each security must be examined by itself. Substantial trading in a security and the existence of a good number of shares are two measures which we can use in this regard.

(9) We will also want to know that the company is well managed. Last week we reviewed some of the operating statistics such as operating ratio, profit margin, and percentage of dollar sales available to common stockholders which enable us to gain some idea of management's efficiency. The figures for a particular company must, of course, be related to companies in the same field and no general rules can be laid down.

(10) Companies which are very small are often not able to obtain the same efficiency of production as larger companies and their securities may be narrowly held and, therefore, not enjoy a ready market. Mistakes of management in a small company, moreover, may often be very costly while such mistakes in a larger company might be more readily absorbed. The investor is probably well advised, therefore, to consider carefully before tying up funds in a small company. It is also generally accepted that extra large companies are often less efficient than their competitors and because of heavy investment may be less flexible in their operations. There may be some reason for the investor to shy away from the very biggest companies also. Professor Graham notes that there seems to be some basis for investors' preference to companies in the asset range between $50 million and $250 million although there has probably been insufficient research on this entire question of size to permit of any definite rules.

Diversification

The very vagueness of most of these security selection rules and the important role which nonquantative factors play in security price movements all point to one very important conclusion—probably the soundest rule which we can lay down—that the investor is well advised to maintain as diversified a portfolio as possible. Moreover, we should attempt to maintain not only diversification among different industries but also among companies in the same industry. It may be true that "killings" are made by owning a great deal of one security but the investor as we have established is not out to make a "killing" and cannot afford to take the accompanying risk of having all of his eggs in one basket.

Railroad Securities

Great Northern

Except for those railroads primarily dependent on coal there are few of the major carriers that have been off to such a poor start in 1950 than has Great Northern. Initially it was adversely affected by particularly heavy weather in the Pacific Northwest area. This has been aggravated by extremely low temperatures in the eastern part of its territory which brought about a serious delay in the opening of the Great Lakes for iron ore shipments. The first ships did not start down the Lakes until the early part of May. The opening of the Lakes was the latest in many years, and about 10 weeks later than in the fairly open winter of last year.

It is not unusual for Great Northern to report low earnings in the first quarter of the year. Actually, the seasonal pattern normally calls for operating deficits during the period when grain is not moving and iron ore shipments have not yet gotten under way. This year, however, the showing has been even worse than it was a year ago. For the three months the operating ratio was 99.7% and a net loss of $2.17 a share was sustained. In the opening quarter of 1949 the net loss had been $1.56 a share and in 1948 only $0.38 a share. Moreover, it is almost a foregone conclusion that April will witness a continuation of the unfavorable year-to-year comparisons.

April comparisons may be even more unfavorable than those of the first quarter. Last year iron ore was moving down the Lakes throughout the month. This year it did not even start until the month was over. Reflecting this delay, the road's traffic for the first three weeks of April was 46.9% below the level of the like 1949 interim. Obviously Great Northern is going to have a lot of ground to make up in the normally seasonally active months that lie ahead if the full year's results are to come even close to matching the $6.05 a share earned last year.

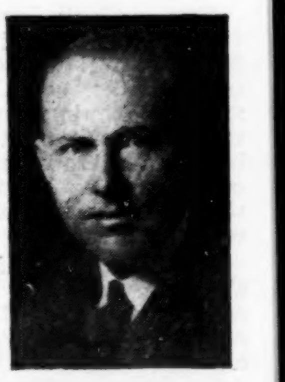
Despite the poor first quarter start, and the possibilities of an even poorer April, most railroad analysts are still constructively inclined toward the stock as an investment issue. The general feeling is that the management will be able to offset the earnings declines already witnessed and that full year's results should be in the neighborhood of $6.00 a share, and perhaps somewhat higher. This is viewed, in the light of the road's finances and favorable debt structure, as affording adequate protection for the current annual $4.00 dividend rate. This is particularly true in view of the presumably temporary nature of this year's difficulties.

Over a long period of years Great Northern has displayed traffic and revenue trends appreciably more favorable than those of Class I carriers as a whole or Northwestern carriers as a group. Its traffic has been relatively invulnerable to the inroads of highway competition and new traffic sources have been opened up through industrial development of the Pacific Northwest and a new connection with Western Pacific in northern California. These traffic factors are of a permanent nature. Also, the road is fundamentally an efficient one to operate—consistently the margin of profit is wider than that of the industry. Finally, the road has done one of the best debt jobs in the industry. All of these factors fully support the constructive attitude toward the basic investment merit of the road and its securities.

As for the current year, iron ore tonnage that did not move in April because of the ice conditions on the Lakes has not all been lost permanently. Based on current and prospective steel operations a large tonnage will have to move this year. With construction activity also high the outlook for the important lumber tonnage is bright. Wheat tonnage is expected to be good. These are the company's three major traffic items, and prosperity in these lines also has an important bearing on the inbound movement of miscellaneous freight. As these forces begin to operate later in the year a more sanguine market attitude toward the stock appears likely.

Inv. Counsel Ass'n Elects New Officers

At a meeting of the Investment Counsel Association of America, held on May 3, 1950, the following officers were elected for the year 1950: **Chairman:** John H. G. Pell, of Pell, de Vegh & Company. **Vice Chairman:** Douglas T. Johnston of Douglas T. Johnston & Co., Inc. **Secretary:** Jabez H. Wood of Van Cleef, Jordan & Wood. **Treasurer:** Howard F. Wortham, Wortham & North.



John H. G. Pell

Hellyer With du Pont

(Special to The Financial Chronicle)

CHICAGO, Ill.—Arthur B. Hellyer has joined the staff of Francis du Pont & Co., 200 South La Salle Street. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

Cooley to Admit

HARTFORD, Conn.—Cooley & Co., 100 Pearl Street, members of the New York Stock Exchange, will admit Agnes E. Murtha to limited partnership on June 1.

Continued from page 2

The Security I Like Best

of the current crude oil price level and some improvement in allowables.

The spread between the average wholesale price of four principal refined products and the average price of crude petroleum in eight areas in the U. S., widened further in April to a point not equalled since April of 1949. Although the spread was still below the average for the years 1944-1948, it was slightly above the average of 1949. More recently the price of gasoline was increased further. This indicates an improvement in refinery profits over the depressed levels of the last 12 months.

The outlook for 1950 oil earnings has therefore improved and there now appears good reason to believe that earnings can be sustained if not improved over 1950 first quarter results and in some cases equivalent to or better than 1949 levels.

	1949 Net Earnings	1949 1st Q. Net	1950 1st Q. Net	Current Price	Price x 1949 Earnings	Est. 1950 Div.	% Yield
Amerada	$9.12	$3.14	$2.08	111	12.1	$5.00	4.5
Anderson Prichard	3.81	1.64	1.05	22	5.7	1.25	5.7
Barnsdall	8.71	1.74	2.19	53	6.1	3.50	6.6
Cities Service	14.87	5.00	--	75	5.0	5.00	6.8
Continental	7.48	2.25	1.69	63	8.4	4.00	6.3
Lion	3.89	0.95	1.58	34	8.7	1.50	4.4
Ohio	5.13	1.51	--	33	6.4	2.25	6.8
Phillips	7.36	2.10	1.66	65	8.8	3.50	5.4
Plymouth	5.12	1.34	1.16	41	8.0	2.00*	4.9*
Pure	6.22	N.A.	--	32	5.1	2.25	7.0
Richfield	5.11	1.26	0.89	42	8.2	2.50	6.0
Std. Indiana	6.72	N.A.	--	47	7.0	2.00*	4.2*
Sunray	1.77	0.46	0.49	13	7.3	1.00	7.7
Texas	9.62	2.09	1.74	65	6.7	4.00	6.1

*Plus stock.

The oils as a group have been performing somewhat better in the past few weeks and I believe additional commitments are justified on an intermediate term basis in the above selected issues.

While the first quarter earnings for 1950 do not make a favorable comparison with the first quarter of 1949 it should be borne in mind that in most cases the 1949 first quarter was the most favorable of the year whereas due to price increases in oil products which have occurred during the current quarter and which can probably be maintained if not increased, the outlook is for an improving situation for the balance of the year. In my opinion, second quarterly earnings will compare favorably with those of 1949.

CURTIS ter KUILE
Hallgarten & Co., N. Y. City
Members, N. Y. Stock Exchange

(Long Island Lighting Company)

Long Island Lighting Company common stock is selling on a when-issued basis at 13½ on the New York Curb. For the year 1949 net income reached a record of $3,577,279, equal to $1.14 a share on the new common stock to be issued in the consolidation of the system. This record compares with $2,766,306, or 88c in 1948.

Curtis ter Kuile

The company's plan for consolidation and recapitalization was approved by the United States District Court on Feb. 17. However, a group of the holders of old common stock has taken an appeal from the court's decision to the Second Circuit Court of Appeals in New York City and its ruling is expected in the near future.

Long Island Lighting Company, as an operating utility, serves most of Long Island outside of New York City. In 1949, it obtained 66% of its revenues from electricity and 34% from manufacture of gas, serving a population of over 1,000,000 people. The territory is primarily residential, the industrial revenue being only 20% of the total. The average residential rate is 3.95c per kwh.; the use being 1,387 kwh. The population of the area has grown rapidly in recent years. On April 1, 1950, the company had 296,021 electric meters and 217,309 gas meters in use as compared with 269,152 electric and 207,648 gas meters in use on April 1, 1949. Electric output in 1949 amounted to 1,145,000,000 kwh., an increase of 14.8% over 1948. Electric generating capacity is presently 304,500 kw., but will stand at 356,000 kw. by the end of this year. Total manufactured gas capacity of 58,700,000 cubic feet per day is inadequate. However, in December of this year, the company will start to receive 20,000,000 cubic feet per day of natural gas for mixing. Also, a new manufactured gas plant of 46,500,000 cubic feet per day is under construction. On April 1, 1949, electric rates were reduced 6% and gas rates raised about the same amount. The new consolidation will eliminate much intangible expense and the new natural gas supply will save considerable in fuel costs.

There is little point in discussing the past record of this company since it has been carefully reorganized and consolidated under the supervision of the SEC and the Public Service Commission of the State of New York and should now be considered as being on a solid financial basis. However, it seems pertinent to mention that no common dividend has been declared since 1933 and preferred dividends were suspended in 1939. Nevertheless, that is now only past history. The important considerations seem to be that the area is now enjoying a very rapid growth in residential population, that finances are now in satisfactory shape and that electric and gas capacities will soon be adequate. All of the mortgage bonds are held by institutions.

The Long Island territory provides remarkable promise for continued growth of population. In recent years two great new bridges and a vehicular tunnel have been constructed to provide easy access to the mainland. The effect of these new facilities has only begun to be felt. Tolls for each crossing are only 25c per passenger vehicle. Beautiful free motor parkways have been constructed from these crossings and these parkways now extend far out on the island and also across it to the great International Airport and the marvelous bathing facilities at Jones Beach, Sunken Meadows and the Alfred E. Smith and August Heckshher parks. Enormous residential areas are still awaiting development. Easy access is available to the island's beautiful coast line, both on the Ocean and the Sound. There are indications that railroad service may soon be drastically reorganized, possibly by the inauguration of a Long Island Transit Authority, a tax-free revenue project to take over operation of the Long Island Railroad, perhaps with considerably reduced fares. All of this potential growth would mean a substantial further increase in gross and probably in net income for the Long Island Lighting Company.

It has been indicated that the Long Island Lighting Company may inaugurate a dividend rate of 80 cents per share on its stock. This would indicate a yield of 5.80% based on a price of 13¾. At that level the stock would be selling about 12 times its present earnings. In view of the thorough reorganization of the company and the possibilities for future growth, this stock appears to merit careful consideration.

J. WALTER LEASON
Research Department,
Shields & Company, N. Y. City

(Puget Sound Power & Light Company)

Puget Sound Power & Light common appeals to me because it can be recommended with relatively small risk of loss and at the same time offers good possibilities of profitable liquidation within the next two years. The stock, currently about 16, has a liquidating book value over 21 and a reproduction value above 40. Until liquidation, a regular 80c dividend provides a return of 5% and represents an unusually low payout of latest 12 months' earnings of $1.80.

J. Walter Leason

Sale of the company's properties actually involves two separate proceedings—that in the City of Seattle and that outside the City. Several important developments have recently brought liquidation much closer:

Liquidation of Property in Seattle

(1) the franchise of the company expires in March, 1952 and a settlement is likely before that deadline.

(2) A City Council election March, 1950 elected a new Council majority to be in office until expiration of the company's franchise and permitted real negotiations to get underway.

(3) The Council has appointed a committee to negotiate for the purchase of the company's distribution properties within the City of Seattle. Appraisals by the City's consultants resulted in a $23.8 million valuation, while the company's consultants showed $36.4 million. These figures will probably provide the basis of negotiation.

(4) A compromise agreement may be submitted at the city election in November, 1950 and a final settlement made.

Liquidation of Properties Outside Seattle

Progress outside Seattle is proceeding rapidly along judicial lines. Public utility districts (PUDs) exist in many counties in the State of Washington and have long wanted to purchase the properties of Puget in their area.

In 1949, a law was passed in the Washington Legislature permitting PUDs, acting jointly, to purchase utility property. The law was upheld by the County Superior Court January, 1950.

An appeal has been taken to the State Supreme Court whose decision sometime during 1950 is expected to uphold the decision of the lower court. A new purchase offer by the PUDs will probably be made shortly thereafter at considerably above the $18 offer previously held unconstitutional since property values are now much greater.

Why Risk Is Small and Profit Potential Large

The last sale of property to a public utility district occurred in September, 1949 when Puget's Snohomish properties were sold for about $13.5 million. Profit to Puget after all capital gains taxes was the amazing sum of $7,667,576—indicating a sale price of more than twice book value for only distribution facilities. No generating facilities, the most valuable part of Puget's property, have yet been sold.

Puget Sound common stock has a sound 45% equity and is the only capital stock to be outstanding after call of the preferred stock. The price modestly capitalizes current earnings at only 9 times, provides a good income from a secure dividend, represents a discount of five points from liquidating book value of over 21 and there is a good chance of ultimately receiving a higher amount within the next two years regardless of the general level of stock market prices.

F. J. SANSONE
Carl H. Pforzheimer & Co., N.Y.C.
Members, N. Y. Stock Exchange

(Oil Stocks)

Given the fact that my entire business life has been spent with Carl H. Pforzheimer & Co., few "Chronicle" readers will be surprised to learn that if I had a favorite security it would be an oil stock.

Frederick Sansone

Although reluctant to indicate an overwhelming preference for any single security, I have no hesitation in naming the oil stocks as my favorite group. The petroleum industry presents the investor with such a wide range of choice, both as to nature and scope of operations and investment characteristics, that it is not difficult to select an oil stock to meet the requirements and objectives of any individual investor.

What are the special attributes of the petroleum industry which give its securities more than ordinary investment merit?

The petroleum industry is one of the largest and most important segments of our economy. Few industries have enjoyed a more consistent growth. Such basic factors as population trends and expanding consumer units in the automotive, heating, agricultural, aviation, and railroad transportation fields, indicate an extension of this trend for years ahead. Oil has come to be regarded as next to food, clothing and shelter among the necessities of modern life. Consequently, petroleum demand is highly resistant to depression influences and the only effect of contractions in general business activity in the past has been to halt temporarily the long-term upward trend of petroleum consumption.

This feature of steadily expanding product demand has provided the basis for the oil industry's phenomenal growth and has been largely responsible for an earnings and dividend record over a long period of years which compares favorably with that of other major industries.

Attractive as the foregoing characteristics of the petroleum industry's operations may be, there is an even more fundamental investment value in oil equities. This relates to the assets protection afforded by the oil companies' ownership of large proven reserves of crude oil. In many cases the value of these reserves alone equals or exceeds current stock prices. Furthermore, oil companies are constantly adding to these values because in almost each year the industry has more than offset current production by additions to proven reserves through new discoveries and extensions to old fields.

It should also be pointed out in discussing the industry's reserve position that oil companies are estimated to own over two-thirds of this country's proven natural gas reserves. They are, therefore, in position to benefit from the rapidly expanding market for natural gas being provided by a network of pipelines connecting the producing areas with large consuming centers of the East, Middle West and Pacific Coast.

Because these reserves of crude oil and natural gas represent an irreplaceable and valuable natural resource producible with a relatively low labor cost, oil stocks are considered among the most satisfactory hedges against inflationary price and wage trends.

Unlike other stock groups where assets protection is usually associated with the absence of large appreciation possibilities, the element of chance which is always present in drilling for oil gives some speculative flavor to all oil shares. Recent developments in Scurry County, Texas, Cuyama Valley, California, and Alberta, Canada, are excellent examples of how new discoveries have added greatly to the underlying values of a group of representative oil companies.

Ray W. Colvin With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Raymond W. Colvin has become associated with King Merritt & Co., Inc., Russ Building. He was formerly proprietor of Colvin & Co. and prior thereto was with Davies & Mejia and Walston, Hoffman & Goodwin.

Floyd Allen Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Roscoe C. Williams, Jr., has been added to the staff of Floyd A. Allen & Company, 650 South Grand Ave. He was formerly with Marache, Sims & Co., and Barling-Corbrey & Co.

Four With Hill, Richards

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Homer E. Gillespie, Robert J. Hoffman, Theodore A. Pearse, and Robert A. Wilson have been added to the staff of Hill, Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange.

Cantor, Fitzgerald Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Louis J. Kramer, Jr., has been added to the staff of Cantor, Fitzgerald & Co., Inc., 211 South Beverly Drive.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Clarence E. Johnson has joined the staff of Waddell & Reed, Inc., 8949 Wilshire Boulevard.

Continued from page 11

Does Economic Trend Portend Fall in Savings Bank Deposits?

will be a demand for this type of property. Mortgagees must also take into account the possible effects on older property of slum clearing and other public housing projects.

Where an institution has more than 50% invested in mortgages, it would seem advisable to rely more on government than on other obligations. On the other hand, where an institution has less than 50% invested in mortgages and finds it difficult to obtain such investments, obviously it would have to seek outlets for its funds in other than government securities in order to obtain a higher return. By investing half of its deposits in mortgages and half in bonds a savings institution will be in a position to pay the present current dividend of 2% and accumulate a surplus as added protection to depositors.

As regards liquidity, mutual savings banks can count on government obligations, irrespective of their maturity, to afford them adequate liquidity to meet their cash requirements. The market for government bonds is wide. It is true that at times large amounts cannot be disposed of immediately. But since the amounts savings banks need for liquidity purposes are not particularly large, they can rely on government securities to meet their cash requirements.

Mutual savings banks, as well as other institutional investors, should consider not only safety, liquidity and adequacy of return but also the effects of their investments may have on the economy of the country. The bidding up of mortgages through keen competition among institutional investors, thereby contributing to inflation of property values, renders a service neither to the community nor the mortgagors. Similarly, financing of construction activity where it is not needed merely contributes to the inflationary trends in building costs.

These statements are made with full awareness of the fact that the investment problems confronting mutual savings banks and other institutional investors are serious and are bound to become more so in the future. When building activity, particularly private construction, begins to decline, the supply of new mortgages will also decrease. At the same time, the volume of funds seeking an outlet in bonds and mortgages is certain to increase, particularly if a portion of the pension funds administrated by fiduciaries is invested in mortgages. Notwithstanding these increased difficulties in finding suitable outlets for funds, institutional investors must never fail to consider the safety of the investments and their general economic effects. Acquisition of real estate by mutual savings banks and other institutional investors is a step in the right direction. The large-scale erection of new dwellings by institutional investors particularly in periods when private construction is going down will not only help them solve their investment problems but will also have a beneficial effect on the economy of the country as a whole.

The Relation Between Saving and Spending

The statement is often made that under present conditions savings are socially undesirable and that it would be better if more of the current income were spent and less saved. This, it is argued, would increase the demand for commodities, thereby creating new employment. The argument is quite superficial. The results of saving depend primarily on how the savings are used.

If the savings accumulated by mutual savings banks and other institutional investors are used to increase the productive capacity of the country and to build homes, utilities and public works, they have a fruitful effect on the economy. They create a demand for raw materials, manufactured goods and labor and raise the general standard of living. It has long been recognized that such capital expenditures have a far greater beneficial effect on the economy than consumer spending. On the other hand, if the savings are used merely to bid up the value of securities or of outstanding mortgages, they can have a harmful effect on the economy, even though the seller of the mortgage or the securities utilizes these funds for productive purposes. Such bidding up of security and real estate values leads to inflationary conditions, which sooner or later come to an end and are followed by a period of deflation.

Deficit financing by the Federal Government is generally regarded as inflationary in character. As was pointed out before, however, this is not always the case. It depends mainly on who buys the new securities issued by the government. When they are acquired by institutional investors, this merely constitutes a shift in the ownership of bank deposits. No increase in the total volume of deposits takes place. On the other hand, when they are sold to the commercial banks this leads to an increase in the total volume of deposits and hence the purchasing power. Since, because of the cold war and the activities of the various pressure groups, a prolonged period of deficits is envisaged, it is important that at least a portion of the government loans be absorbed by institutional investors such as savings banks.

Looking backward, the policy followed by institutional investors in 1948, when they sold a large volume of government securities, was not sound. Since these securities were acquired by the Reserve Banks in order to prevent government obligations, particularly long-term, from going below par, these sales led to increased monetization of the debt, which was particularly undesirable because of the strong inflationary forces existing at that time. Moreover, by selling several billion dollars of government obligations institutional investors created new investment problems for themselves. They depressed the rate of return on other high-grade obligations. If the institutional investors had retained their government securities, in all probability the demand for new corporate issues and mortgages would not have been as great and the rate of return on them would have been higher. The policy was, therefore, harmful not only to the economy but to the institutions themselves. It also greatly interfered with the credit policies of the Reserve authorities. This fact is mentioned not by way of criticism but merely to point out a lesson for the future.

What role should savings banks play in our economy? By stating the basic economic problems confronting the United States one can indicate in broad terms the role which savings banks and similar institutions should play in our economy. These problems may briefly be summarized as follows:

(1) It is necessary to keep the economy dynamic in order to afford employment to our rapidly growing population. A satisfactory level of employment is the best assurance of the maintenance of our way of life. In order to keep the economy dynamic, plant and equipment must be constantly expanded, productive facilities modernized and decent housing facilities provided.

(2) It is necessary to provide broad economic security for the people, compatible with the ability of the country to pay for it. People who know they will not be objects of charity and that their children will not suffer from want are satisfied citizens. Hunger and disease are the greatest enemies to our society.

(3) It is necessary to raise the general standard of living, not through inflationary means favoring one group at the expense of others, but through the constant increase in the productivity of equipment and labor. The American high standard of living has been achieved by such expansion in productivity, which made possible high wages and low prices.

It is desirable to achieve these objectives as far as possible on a cooperative basis and with minimum reliance on government aid and intervention. To realize the aims requires positive action on the part of management, labor, and the government. This involves a new approach to taxation which will aid and not hinder, the formation of capital. It involves the creation of an atmosphere which will encourage expansion, and a better understanding between management and labor based on the simple fact that the welfare of each depends on the welfare of all. It involves elimination of the influence of the pressure groups which look only to their own interests without regard to the effects of their demands on the economy as a whole.

The role the savings banks can play in achieving the above-mentioned aims, briefly, is as follows:

(1) To encourage savings, thereby aiding individuals to attain economic security and to have a nest-egg to use in case of emergency. Nothing gives a man more backbone and makes him more independent of thought than substantial savings which can be readily converted into cash.

(2) To invest the savings of the people in a manner which will aid in achieving the objectives mentioned above, without any sacrifice of the principal factor, namely, safety.

(3) Savings banks, both individually and collectively, can play an important part in giving the American people decent housing. The construction industry is one of the most important in the United States. When it is active it creates a strong demand for materials and labor and contributes to general prosperity. In timing their activities savings banks, instead of accentuating building booms, can help to keep building operations on a fairly high level over a period of time.

(4) As the custodians of the people's savings, savings bankers have the duty to educate the people as to what causes inflation and how it erodes their purchasing power.

(5) Finally, savings banks and other large saving institutions, such as mutual life insurance companies, must be keenly aware of the political atmosphere and trends which now prevail. The best protection against any political threat to these institutions is to make them truly democratic, people's institutions. In this connection the following questions may be raised: Has the election of trustees of savings banks and mutual life insurance companies kept pace with the spirit of our times? Do trustees, or most of them, really represent the depositor? Is there not in the election of trustees a remnant of the days when savings banks were considered semi-charitable institutions established to help the poor help themselves? Does such an attitude fit into a period when the resources of the mutual savings banks are so vast and play such an important role in the country's economic life?

These questions are in no way a reflection on the caliber and character of trustees which, to say the least, is very high. The mere fact that a man is willing to serve as a trustee of a savings bank or insurance company is ample proof of his sense of civic responsibility. The questions are designed merely to point out the need for taking stock and considering whether any change may be desirable.

Conclusion

The growth of mutual savings banks during the past decade reflects the high regard and high standing they enjoy in their communities. The growth of the savings banks is the more remarkable in view of increased competition from other institutions which are aggressive and pay a high rate of return. As the savings of the nation become more and more institutionalized, the responsibility of the savings institutions in the broader sense increases and their activities exercise a greater influence on business activity and expansion. In performing the functions for which they have been established, they strengthen the pillars on which rests the American way of life.

Securities Salesman's Corner

By JOHN DUTTON

There are days when you feel "up," and there are times during the day when you are more alert than at other times. The same holds true of your customers and prospects. Mental alertness, and the feeling of "wanting to go out and do things," go together. Studies have been made indicating that there may be some relationship between the pull of the moon and the sun on the earth at different times of the month that affect people's will to work, their moods, and their resistance to suggestion, etc. Although on a still unscientific basis, it is an interesting hypothesis. Fishermen will tell you that the phases of the moon affect the feeding habits of fish—farmers plant beans when the horns of the moon are up, and swear that they always get a better crop. There are a lot of things we poor mortals still don't understand.

But leaving the moon and the power of gravitation to those who will study further, there are some things that every salesman can do that will increase the effectiveness of his work. One is to keep fresh physically. I know some men who belong to a gymnastic club just for the sole purpose of taking a swim about two to three o'clock on a hot afternoon, so they will be up to par for the rest of the day. The man with a clean shirt and benefitting from the invigorating results of a cold shower, can sell better than the fellow who is half-wilted on a hot, humid day. Another good investment if you are working out of town, and must stay over for a night, is to register in a good hotel early. An air-conditioned room in hot weather is worth the extra cost. Then if you begin to feel the heat during the middle of the day go over to your hotel and take a shower. After that lie down for a while, relax yourself completely, think about nothing and if you can doze a while, do so. After that get dressed again and go to work. You'll see how much better you will present your ideas when you are physically fit.

Another reason it is imperative for any salesman to be well groomed (besides the appearance he should make upon others) is that in no other field of work is it as necessary to keep one's morale up to snuff. Selling requires that even the most competent salesman must absorb many more turndowns than the times they will achieve success. There are periods when you hear a string of "No's" that seem like they will never end. Appointments are hard to make—people are out—customers have complaints—things don't always go smoothly—human nature just naturally is cantankerous. That is the time when a man has to believe in himself. You can't become discouraged no matter how the breaks go against you. Keep your linen fresh—stay in condition—believe in your job and your ability. Then things start coming the other way. A strange thing about selling that I have never had explained to me—when the breaks are going with you nothing seems to stop you, but when the going is rough you just have to beat down bad luck until it changes. Experience and confidence go together. That is why a man should never let up on his grooming—it is a good booster. Even the Britishers famed in history who went to the tropics, never missed their daily shave. They well knew that if they had done so sooner or later they would have lost control, and would have been no better than the savages of the jungle.

A good rule is never see anyone on any important matter unless you are ready to do your best. Three or four good interviews a day are much more productive than 10 when you are only half a man.

T. N. Hitchman With Kenower, MacArthur

T. Norris Hitchman

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — T. Norris Hitchman has become associated with Kenower, MacArthur & Company, Ford Building, members of the Detroit Stock Exchange. Mr. Hitchman was formerly executive vice-president of the Kales-Kramer Investment Co.

With Gross, Rogers Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — John W. MacKusick has become affiliated with Gross, Rogers & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange.

Joins Lester Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Paul R. Davison has become associated with Lester & Co., 621 So. Spring Street, members of the Los Angeles Stock Exchange.

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Insurance Stocks in Mid-Passage

ford dividend is as secure virtually as U. S. Government bond interest.

Inevitable Growth

This is the second important characteristic of well managed fire and casualty insurance companies. And I say the growth is inevitable for four reasons:

(1) Most important perhaps is what I call the insurance system. This is the system, which is simply part of the tradition of the insurance business in this country, that insurance companies pay their dividends out of 70% or 75% of investment income (last year the figure was less than 65%) leaving the remainder of investment income plus all underwriting profits to accumulate in surplus. This system has the result of inevitably increasing the net asset value of well managed companies simply through the operation of the plow back and compound interest. Last year, taking into consideration either taxes paid or estimated on unrealized equities in the unearned premium reserve, Hartford Fire had a plow back of no less than $13 a share after dividends—which is more than 11% of today's market price. And the workings of compound interest are such that the investment income figured at 2½% on this plow back alone amounts to exactly 11% of the current Hartford dividend. That is a rather substantial increase in investment income from this one source alone.

Contrary to a belief which I find rather widely held in investment circles, underwriting over a period of years is profitable for well managed companies. This factor also adds to growth. During the years 1941-48, a period on the whole of mediocre underwriting experience, Hartford Fire averaged an 8% underwriting profit on earned fire premiums compared with 6.4% for Fidelity-Phenix. Casualty underwriting profits during the five years ended 1948 were 4.7% for Hartford and 3.5% for Fidelity-Phenix. Plowed back underwriting profits and excess of investment income over dividends thus makes inevitable the growth of top grade fire and casualty insurance companies.

(2) Insurance companies grow as the nation grows. The greater the population, the greater number of dwelling units, the greater number of insurable objects—and the greater need for insurance. The point need not be labored.

(3) Insurance companies grow secularly, with the technical advances of our civilization. Thirty years ago automobile premiums, for example, were relatively unimportant. Today they are one of insurance's largest lines. Insurance has thus benefited through the invention of the automobile as it benefits from other inventions. In fact, insurance is in a most enviable position because it stands to benefit from inventions and is not hurt by them. There is no danger of obsolescence to insurance. The automobile may have hurt competing methods of transportation but they still had to carry insurance as long as they were in business and in addition insurance gained additional coverage from the new method of transportation. Insurance is the foundation of all credit and is the cornerstone of our modern economic life.

(4) Insurance companies grow secularly, with the social advances of our civilization. Workmen's compensation was unheard of 40 years ago and now it is one of our largest casualty lines. Automobile insurance is becoming mandatory in many states which tends to increase automobile coverage. New York State's new compulsory disability law which becomes effective on July 1 of this year requires every employer of four or more persons to pay sickness benefits. This of course will mean a great deal of premium income for insurance companies. Three other states at the present time have compulsory disability benefit laws, New Jersey, California and Rhode Island, and it is expected that many more will follow suit. As modern life increases in complexity, the need for insurance appears to grow. And insurance companies benefit through this inevitable growth.

I think that these four reasons entitle insurance stocks to be called true growth stocks and their records are an indication of this. The stocks which I have been using for illustrative purposes in this talk have each advanced more than 100% since the highs of 1937 although the market as a whole is up little more than 10%.

If I have demonstrated that it is security of dividend plus growth which makes insurance stocks fundamentally attractive for the long pull, just how attractive are they at the present time? I have mentioned that underwriting earnings are either at or close to their peak in fire insurance although in casualty no doubt a considerable expansion both of premium volume and profits can accrue if compulsory disability insurance becomes more widespread.

Meanwhile in the fire business itself there are certain clouds which, although still specks on the horizon, may mean somewhat smaller underwriting profits within the next year or two. There is some pressure on the part of regulatory authorities for decreased rates. This pressure is unjustified in my opinion because the companies need a period of successful underwriting in order to make up for the ground lost during the relatively unprofitable postwar years. Nevertheless such pressure exists, in many cases for political reasons. There is also some talk of a commission "war" brought about by the desire of some companies to maintain their premium volume by paying excess or higher commission rates in order to attract new agents. If such a movement becomes widespread—which I doubt—it would of course raise costs. Then there is the growth of multiple line underwriting whereby a single company can now write both fire and casualty coverages. Thus companies without either fire or casualty underwriting departments are for the most part setting up these organizations and the initial experience in a new field is usually not profitable.

At the same time I think it well to recognize that insurance is essentially a friendly and sociable business. Talk always thrives in insurance circles and it is said that, just as walking across the floor of the London Stock Exchange arm in arm with a Rothschild was sufficient at one time to rehabilitate a member's credit, so any rumor whispered during the luncheon hour at the Drug and Chemical Club in New York (which oddly enough is the insurance man's daily meeting place) travels up and down William and John Streets and Maiden Lane like a jet propulsion. So I personally am still willing to settle for the present "troubles" of the insurance business—and they do not disturb me in estimating 1950 earnings.

The Long Pull

For the long pull, however, it is necessary to look beyond 1950. We have adopted a conservative course—I hope and think it may be overly conservative—of assuming a drop of 40% in underwriting profits and of course a similar reduction in tax liability. Such a reduction in underwriting profits would bring fire insurance profit margins well within those declared permissible at the famous Seattle meeting of the National Association of Insurance Commissioners last June. It is upon this basis that we have made our assumptions—and we have also taken into account not only paid taxes but those not yet paid on equities in the unearned premium reserve.

Upon this basis, and after dividends, both Hartford Fire and Fidelity-Phenix, using our same two examples, can be expected to plow back an average of 9% of the present market price each year. Over the next decade it might be reasonably expected that this plow back might be an aggregate of 100% so that Hartford Fire at the end of 1959 would have a net asset or liquidating value of approximately $230 a share and Fidelity-Phenix $130. Net asset or liquidating values of the two stocks last year end were 138 and 73 respectively. If this growth is realized, certainly the stocks of both companies are still well worth buying today.

Some analysts have made the mistake, in my view, of averaging insurance company earnings over the past 10 years, against which last year's profits seem extremely high. I do not personally believe we shall come down to the level of the last 10 years. Commodity prices seem to be on a permanently higher plateau. Although premium volume may tend to level out for a while, the growth of not only insurable units but of new lines of insurance which may be introduced through multiple line underwriting as well as through such laws as the New York State disability law, would seem to promise future growth of premium volume. Underwriting profits are generally derived as margins on gross business. Consequently I believe any comparisons with the past decade are misleading unless one believes our commodity price level during the next 10 years will drift downward so that by the end of 1959 it will fall to where it was in 1939.

Market Aspects

Apart from the fundamental long term values which make well managed insurance stocks attractive at the present time, there are two additional factors which may make insurance stocks do well marketwise in 1950.

Dividends were increased almost across the board in 1949. While I would not expect such a universal heightening of disbursements, some additional favorable dividend actions can be anticipated. Dividends generally are well below the traditional 70% or 75% of investment income. Surpluses are rising and premium volume is leveling off. There is not the same pressure on management to retain earnings. Furthermore, insurance company managements are closer to their stockholders now than at any time in the past 20 years. Many of the companies had to raise additional capital and relied largely upon their stockholders to supply the new funds. Many institutions such as university endowments have made known to insurance company managements their need for greater income.

Although both Fidelity-Phenix and Hartford Fire are yielding exactly the same as at their 1937 highs, such high grade utility operating stocks as Consolidated Edison have gone from a 4.0% yield to a 5.2% yield and Detroit Edison from a 4.1% yield to a 5.2% yield. Whereas at the highest in 1937, 50 high grade industrial stocks were yielding 4.1%, the Dow-Jones Industrial Average now returns approximately 5.8%. Although in my opinion these differences in yield are more than justified by the greater security of the insurance company dividends and their inevitable growth, still portfolio managers of yield-hungry institutions are being tempted to increase their own return. Insurance company managements have always been justly proud of the high institutional character of their stockholders and will be loathe to lose them for such reasons. This is another, although not necessarily a dominant, factor making for higher insurance company dividends.

Impact of Pension Funds

Secondly, recent changes in investment laws and practices have introduced a new demand factor for insurance stocks. Pension funds will become increasing buyers of insurance stocks, and these stocks will disappear into their strong boxes and be removed from the market. The recent change in the New York law permitting legal trust funds to invest up to 35% of their funds in heretofore prohibited categories will also mean a new market for insurance stocks.

You may not realize that back in 1941 hearings were held before a Joint Legislative Committee of the New York State Legislature relative to changing New York's legal law to permit investment in insurance stocks. A number of the leading trust and investment officers in New York participated in these hearings and favored such a proposal. The war prohibited its further consideration but it came up again when I was at the New York Insurance Department after the war. It was decided at that time to hold no further hearings because of more extensive studies which were being made and which contemplated a much greater change in the existing law. This change has now been made but I feel reasonably certain that many of the trust officers who originally espoused insurance stocks as their first choice in changing New York's legal law will again turn to these media and will invest at least a portion of their legal trust funds in them.

What these two relatively new demand factors will mean in terms of price it is far too early to know but they will certainly be a stabilizing influence and in my opinion will help greatly to absorb some of the inevitable selling of the short and intermediate term holders who may be looking for greener pastures now that the insurance stocks have enjoyed a splendid move.

Life Company Stocks

A final word about life insurance company stocks. Most of the life business in this country, as you know, is done by mutuals but there are actually more stock life insurance companies than mutuals. Putting it succinctly, life insurance profits have hinged during the past decade and more on the tug-of-war taking place between the money doctors (in Washington) and the doctors of this country. The money doctors, of course, have been bearing the interest rate since 1933—and so they have been reducing the return on the tremendous sums which the life insurance companies have invested. At the same time the doctors of this country, with the help of some of our fine drug and chemical firms, have been prolonging and improving mortality. Since interest earnings on all life insurance companies reached their low in 1947 and have improved an average of 8 basis points during each of the past two years, it would seem that the doctors have won out over the money doctors. Furthermore, there is the fact that wars have always greatly stimuated medical research. The last war was no exception. Vast sums of money were expended, the results of which will redound to the benefit of mortality in the future.

As one life insurance company president said to me recently, "In the '30s our true earning power was obscured by the necessity of writing down our mortgage and real estate losses. In the '40s it has been obscured by the necessity of building up reserves in order to place our policies on a 3% instead of a 3½% basis, brought about by the lower earning power of money." And then he added significantly, "I don't know now what we are going to have to build up any additional reserves for." In other words, the true earning power of the well managed stock life insurance companies should be revealed during the years ahead. The yield of the life companies is traditionally small and many portfolio managers refuse to consider them for this reason. Nevertheless, Connecticut General, to mention one example, is now selling at about the same price it was selling a little more than a year ago—except that its owners now have two shares for every one previously held. The same can also be said for Travelers.

Of all insurance companies life companies are the most difficult to analyze. Their reserves are at long-term, 30 or 40 or 50 years or perhaps more, compared with 3 or 5 years in fire and one year only for most of casualty. Nevertheless the fundamental factors which are working in the life business should make their study particularly fruitful to the investor at the present time.

From my remarks it should be by this time plain to you that I like insurance stocks. This liking stems from no altruistic motive. It is simply that the well-managed companies of this group cannot help but grow and prosper. Their records speak for themselves. If I may paraphrase an old automobile slogan, "Ask the man who has owned one!"

Jas. R. Imhof With Waldron & Company

James R. Imhof

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—James R. Imhof has become associated with Waldron and Company, Russ Building. He was formerly with the First California Company and Aurelius F. DeFelice. In the past he was manager of the trading department for Monasch & Co.

Bruce Hauck and Laurence M. Newman have also been added to the staff of Waldron & Co.

Joins Geyer Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ted D. Carlsen has become associated with Geyer & Co., Inc., 210 West Seventh Street. He was formerly with Crowell, Weedon & Co., for many years.

With Edgerton, Wykoff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph D. Coles is affiliated with Edgerton, Wykoff & Co., 618 So. Spring Street, members of the Los Angeles Stock Exchange.

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As We See It

the participants to be taken too seriously, but real danger lies in it nonetheless.

Safety in Common Sense

When such words as these are flying about, those who hurl these guided verbal missiles should be richly endowed with "saving commonsense as the greatest only are," if we are to escape disaster. Most of us find it difficult to forget that such a technique was adopted by the late President Roosevelt during his days of "short of war" programs. It was highlighted by such utterances as his "quarantine" speech. It was all to be kept short of war—and was indeed the best assurance available against our involvement in war. The ultimate results of it all are now history. Of course, it does not follow that history will repeat itself now, but one who constantly waves big sticks must be careful about who is struck and be certain that they do not turn out to be ineffective if something more than waving them becomes necessary after a time.

Meanwhile, the President is off on another "whistle stop" tour intended without doubt as the opening big gun of the coming Congressional election campaign, and as a bit of strategy which looks beyond that contest to the Presidential election of 1952. Dispatches from Washington promised a performance similar to those of 1948. These promises have been fully kept. That means, of course, that the President of this nation, involved as it is in the foreign field in a situation, or rather situations, of great potential danger to us all, is now off on a political tour talking stuff and nonsense designed, so he and his advisers believe, to catch this and that bloc of votes next fall and two years from next fall. Not once anywhere or at any time has there been a careful, intelligent, statesmanlike analysis of foreign issues or a really down-to-earth suggestion or proposal for dealing with worldwide problems by which he as the head of this nation is faced.

At Home, Too

And domestically the situation is no whit different. He has been warming up the same old hash, and undertaking to sell it at prices of which he apparently has no conception. What he wants, evidently, is a program which will lead the farmers to vote for his men this fall and for his men (possibly including himself) in 1952. He is equally interested in how the highly organized labor unions will throw their vote on both occasions. His arguments, if they may be called such, have been patently *ad hominem* throughout, as they have been all through his career as President—and indeed as they were by his predecessor. Now it is important enough in its own right that we set our own domestic house in order without delay. It is doubly important that we do so, if we are determined to do what is euphoniously termed taking the leading role in world affairs—as the President repeatedly insists that we must do.

The leading role as the President envisages it carries heavy responsibility and extremely heavy costs. We are already spending vast sums in what have been aptly termed bribes to keep peoples out of the arms of the Kremlin—or should we say claws? We plan "Point Four" outlays, or at least the President apparently does, in amounts not ever specified. Various other outlays and commitments may well oblige us to spend many billions in the course of the years to come—billions more than we can afford or even find unless the economy of the country is as productive as it is possible for it to be. All this is without taking into account the expense and the superhuman effort that would be required of us should the cold war turn into a "hot war," as of course is always possible. Should this latter occur, it would be disastrous to have it find us so weakened by the same forces which have weakened Russia through the decades that we could no longer avoid tragic consequences. Certainly, nothing in the President's program or in his public utterances during the past few days suggests anything that can possibly assure us of the economic vigor which is essential in the present circumstances.

And the Opposition!

And now, what of the "opposition"? Do we find the Republican party, in and out of Congress, not only taking up the cudgels against what the President and his semisocialistic following are trying to foist upon this land of ours, but coming forward with a constructive program of its own? The facts seem distressingly clear to us. With one or two exceptions, such as the Taft-Hartley Act (which in view of its support in Congress and its frequent lack of bona fide support among influential Republican politicians outside Congress, must be put down as almost as much a Democratic as a Republican measure) the opposition in Congress has over the years not been of a constructive turn. It is not so now. Outside Congress (not to say there are none in Congress) it has an abundance of influential "Me-Tooers." Technically the party has for some time been "under new management," but it is all too obvious that it has not as yet improved the situation a great deal. It will have to do a great deal better in combat with the "whistle stop" politician than in its recent outgiving designed for that purpose. If the truth must be told, the people of this country could not today turn to the opposition with a feeling of much assurance that it had found the way to salvation.

This whole situation is more tragic than many of us realize.

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Television—Our Fastest Growing Industry

are still operating and giving good pictures.

We all remember 1941 as the year of Pearl Harbor, the draft, and a war against foreign ideologies. Yet it also marked a forward step in the television industry. That year the Federal Communications Commission standardized television at the 525 line, 30 pictures per second requirements which we know today.

However, Pearl Harbor also meant that America's electronic scientists were forced to put away television development and concentrate their energies on the forging of implements to win the war. Sonar, lunar, navigational aids, and, of course, radar were developed and improved by the industry. Because of the pace, and strain of winning the war in the shortest possible time, electronic scientists worked three to four times as rapidly as they would have under normal condition.

When V-J Day put an end to all hostilities, America's electronics' industry was able to turn to television and put this extra research to good advantage. At the end of the war, there were four stations telecasting, with personnel devoting their nights to the infant industry, after spending full days on the war-production line. There were 6,000 receivers in American homes and public places.

By the end of 1946, the industry began to move slowly towards its potential. Six stations were on the air and the industry's total production was approximately 6,500 receivers. By 1947, the public began to take cognizance of the new sight and sound medium. Seventeen stations were on the air telecasting: 179,000 receivers were manufactured.

In 1948, the full impact of television upon the nation was evidenced by 51 stations on the air and a receiver production of a little under one million receivers. Telecasts of major sport events, boxing matches, the World Series—the political conventions in Philadelphia — the Presidential campaigns and in January, 1949, the inauguration of President Truman.

1949 Production

Today, we can look on a record production of 2¾ million receivers in 1949. Conservative estimates place the 1950 figure at better than 5,000,000. Now across the nations, 104 stations are telecasting programs regularly.

Of great interest to everyone has been the progress of the coaxial cable. Last January the east and midwest were linked. Service as far south as Miama, Fla. is projected for 1951. During this year the cable will go as far west as Omaha and by 1952 we may see connections to the west coast.

The impact of television as an advertising medium will stimulate business activity 10-15%. At the present time more than 2,500 concerns use television to sell their goods and services.

Let me give you a concrete example. Marion Harper, President of the McCann Erickson advertising agency, recently declared that for 23 McCann-Erickson clients, sales increased from 19-37% in television markets as opposed to sales in non-television areas.

Television's progress has truly been phenomenal especially in the face of the "freeze" which has literally strangled the industry in the last 21 months.

Let's get some of the background on the freeze:

Basically the freeze was brought about by a case of co-channel interference between Detroit and Cleveland, 90 air miles apart. Since September, 1948 there has been no thawing of the freeze. Only five new stations can go on the air during 1950 because of the freeze order.

No one in the industry can predict what action the Commission will take, or when it will be taken. However, it does not appear likely that we will see the allocation of new channels and the issuance of new construction permits until early in 1951. All of us in the industry sincerely hope that it will be before that but, who can predict the action of the seven Commissioners?

Freeze Effects in Boston

So far, we have been discussing television and the freeze as it affects the rest of the country. Now, let's take a look at how the freeze affects you right here in Boston.

Though you rank fifth in sales in the entire nation, though you have a population of 2,350 000 or more, you have only two television stations. Boston has been allocated five channels. Six applications have been made for the three remaining. But, they are frozen, and you are frozen—with only two stations to serve your 1,175,000 families.

Boston is a good TV town. The latest figures reveal that you have bought 339,000 TV sets. You are entitled to five TV stations, but the freeze says you can only have two.

A major factor in the delay that we are experiencing is the introduction of a reconsideration of possible color standards. Some of the Commission members as well as Senator Johnson have been insistent that color standards be set up before we proceed further with the allocation of channels and new station construction.

It has been Dr. Du Mont's opinion and that of most of the manufacturing and telecasting industry that there is absolutely no reason to withhold television from such a large segment of the American people while a thorough investigation of color is being made. If we agree that whatever color system we finally adopt must be compatible and able to be received on our black and white receivers, then there is no reason why the decisions relative to color cannot come along when all the facts are known.

However, in the meantime, 91 of America's 150 largest areas are served with absolutely no television at all. Of the 59 market areas covered by television, 39 of them are serviced by only one television station.

The American people have been aroused. Letters have been pouring into Congress and the Commission from every state suffering from the freeze. Television dealers all over the nation are up in arms and their cry is—The freeze must be lifted. In fact if we don't get action within the near future, our high rate of manufacture must slow down considerably because the full weight of that production is being poured into the 59 markets.

But let me conclude by saying that I am definitely not a pessimist. Eventually the freeze will be lifted and frankly, I don't see how any of us here can visualize how far and how rapidly television will leap ahead. Recently, Dr. Du Mont predicted that three years following the lifting of the freeze, and new stations finally allowed to be constructed three out of every four families in America will own a television receiver. Every major American city and its surrounding territory will have a wide choice of programs from at least four different transmitting stations. Each of the major television networks will be able to offer its advertisers a complete national network which will bring promotion for their products before the eyes and for the ears of a really vast segment of the American people.

Yes, when the freeze is lifted, we can look forward to between 600 and 1,000 television stations on the air instead of the 104 we have now.

This summary of television has been necessarily brief because the topic is so all-embracing, that we can do no more than outline its progress. I have tried to give you some idea of the past history of the industry, its present and vast potential. In closing, let me repeat what I said previously. Television is no longer around the corner—it is not in the future. It is here NOW!

Join John G. Kinnard

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Floyd E. Duzan and John Rothgeb have become affiliated with John G. Kinnard & Co., 71 Baker Arcade. Mr. Rothgeb was formerly with J. M. Dain & Co., and Johnson-McKendrick & Co.

Joins E. F. Hutton

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Glendon E. Jones has become affiliated with E. F. Hutton & Company, 623 South Spring Street.

Now Sole Proprietor

RENO, Nev.—Stanley R. Geminiani is now sole proprietor of Umber & Co., 139 North Virginia Street.

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Current Money Market Problems and Policies

mands can have an important influence on prices of securities, i.e., on the level of interest rates. They can also influence the decision of holders to keep or sell their securities or to buy others. In these ways Federal Reserve policies can have an important bearing upon debt management by the Treasury, that is, the refunding of maturing issues and new borrowing. They likewise have an influence upon the flow of private savings and investment and thus upon production and employment.

Postwar Money Market Developments

Postwar developments with reference to government securities and Federal Reserve policies have been discussed at length in recent years and are generally familiar. This subject was most thoroughly examined in a recent inquiry by the Subcommittee on Monetary, Credit, and Fiscal Policies of the Congressional Joint Committee on the Economic Report. The Subcommittee, headed by Senator Paul H. Douglas of Illinois, consisted of some of the ablest members of both Houses of Congress and of both parties. The results of its comprehensive inquiries and its excellent report have been published. The report dealt principally with the relation of Federal Reserve policies to the government securities market and to Treasury debt management. It dealt with the conflict of responsibilities which has confronted the Federal Reserve System since the end of the war as between discharging its statutory duties of contributing to economic stability and the need of supporting the government securities market.

It is not possible on this occasion for me to discuss at length the various aspects of this postwar dilemma. As a background to a discussion of the current situation, I shall endeavor to summarize briefly some of the principal problems and developments since the end of the war.

Debt Retirement: Some restraint on credit expansion was exerted by the large Treasury surplus from 1946 to 1948 and the use of this surplus, as well as of excessive cash holdings of the Treasury to retire government securities. The retirement of securities held by toe Federal Reserve absorbed bank reserves. The anti-inflationary effects of these measures, however, were offset by the expansion of private credit, which was more difficult to restrain under the circumstances prevailing because banks could obtain the funds needed by selling government securities to the Federal Reserve.

Term Structure of Interest Rates: One of the most difficult problems that grew out of war finance was the term structure of interest rates that was maintained during the war. This structure of very low interest rates on short-term securities and much higher rates on long-term securities was the result of the great growth of bank reserves accompanying the limited demand for credit during the depression of the thirties. It was not a structure that is normal for a period of active credit demand and limited credit supplies, such as those dominated by war or by postwar readjustments.

Although the maintenance of this structure of rates had certain advantages during the period of war finance, it had the effect both during and after the war of encouraging the sale of short-term, low-yielding securities to the Federal Reserve and the use of the funds to purchase longer-term, higher-rate securities. This shifting resulted in the creation of additional bank reserves. It could not be prevented except by letting short-term interest rates rise or permitting long-term rates to decline to such low levels as to revolutionize all of our savings and investment mechanism and institutions.

As one means of dealing with this situation, the Federal Reserve Board early in the postwar period suggested that a special reserve requirement be placed on banks which would require them to hold designated amounts of short-term securities. Through this means, banks would not have been deprived of earning assets but could have been required to hold a portion of the greatly increased volume of securities that they were enabled to acquire during the war. It would have limited the sale of short-term securities to the Federal Reserve and the resulting creation of new reserves and would have done this without a rise in interest rates on short-term government securities. Other interest rates, however, would no doubt have risen. The proposal, however, was not adopted and later, after considerable credit expansion had occurred, the less satisfactory means of raising reserve requirements on the established pattern was followed.

From the middle of 1947 until late in 1948, short-term interest rates were permitted to rise moderately. This encouraged banks and others to hold larger amounts of short-term government securities and enabled the Federal Reserve to reduce its holdings as an offset to bond purchases. It was the expressed view of the Federal Reserve authorities that short-term rates should have been permitted to rise more rapidly, but this could not have been done without endangering the success of Treasury refunding at the rates announced. Although the spread in the term structure of interest rates was narrowed somewhat by the rise in short-term rates, it was still wide enough to present a continuing problem of market adjustment.

Support of Bond Prices: In the late months of 1947 the nature of the problem shifted when holders of government bonds, particularly nonbank investors, began to sell their bonds in order to shift funds to other uses. The Federal Reserve had to step in and buy large amounts of bonds in order to keep the decline in the bond market from reaching disastrous proportions. Because of the tremendous volume of the public debt and the potential volume of selling that could occur if the feeling grew that prices of bonds would decline the System followed a policy of rigidly pegging the prices of government bonds so as to maintain the yields on the longest-term issues at approximately 2½%. While this policy had the recognized effect of creating additional bank reserves and thus facilitating inflationary credit expansion, it was believed to be advisable under the circumstances. Some of the reserves thus made available were absorbed by increases in reserve requirements.

Changed Situation in 1949

During 1949 there were important changes in the economic situation and in the problems of monetary policy. Developments in that year may be said to have removed two major fears—first the fear of uncontrolled postwar inflation and, secondly, the fear of a disastrous collapse to follow. Early in 1949 it became increasingly evident that inflationary pressures were lessening. Commodity prices declined, business inventories ceased to expand and were reduced somewhat, buying pressures for some types of goods relaxed, and production and employment showed some decrease. In view of underlying fears that this abatement of inflationary pressures might lead to an excessive decline in production and employment, as well as in prices, various restrictive measures which had been adopted to restrain inflation were relaxed.

Limitations on consumer credit and margin requirements on security loans were liberalized by the Federal Reserve Board. Member bank reserve requirements, which had increased in 1948, were reduced. Moderate decreases in interest rates occurred. In the latter part of the year evidences of an upturn began to appear and by the beginning of 1950 economic activity was at a generally favorable level. This called for some change in policy.

Current Problems of a Flexible Monetary Policy

Changes during 1949 in Federal Reserve open market policies were of special significance. There was a shift from a policy of rigidly maintaining the level of interest rates to a policy of increased flexibility. What is the meaning of a flexible monetary policy? Briefly it means that the Federal Reserve does not automatically buy and sell government securities at fixed rates regardless of the needs of the economy for bank reserves. Under a flexible policy the System endeavors to supply such bank reserves as are needed or to absorb those not needed, but in doing so to permit interest rates to reflect to some degree the market forces of demand and supply. Fluctuations in interest rates are moderated but not necessarily prevented.

In order to bring out more clearly the nature of the flexible monetary policy I shall endeavor to discuss some of the more important current money market developments. In this connection it is not my intention to predict future developments or future policies, nor even to explain fully all the considerations behind past and current policies. Prediction of developments would be difficult enough and a forecast of policies would be impolitic as well as unreliable. Federal Reserve policies are the resultant of decisions by a considerable number of people after a large amount of thought and discussion. Individuals reaching similar decisions may have different reasons or motives; it is often difficult to arrive at a consensus as to reasons for action; it is much more difficult to know what action might be adopted in any future situation. My purpose here is merely to illustrate the types of situations that are being faced or may need to be faced and some of the problems they raise.

Temporary Variations: Quantitatively the bulk of Federal Reserve purchases and sales of securities are for the purpose of enabling banks to adjust their reserve positions to temporary shifts in the supply and distribution of reserves. These operations have little or no policy significance. The ordinary flows of funds among the different sectors of the money market and the varying requirements of different borrowers and lenders involve a tremendous volume of shifting. Aside from mere shifs of funds among banks and others in the money market, there are a number of temporary factors affecting the total supply of bank reserves. These include short-term changes in the amount of Treasury balances with Federal Reserve banks, especially around tax dates, seasonal variations in currency demands, and fluctuations in the volume of uncollected checks at Federal Reserve banks. Such factors may cause wide day-to-day shifts in the needs for bank reserves and, therefore, necessitate Federal Reserve purchases of securities to supply needed reserves or sales to absorb a redundant supply.

Because of the great magnitude of the public debt and the constant shifting in and out of securities by holders, the Federal Reserve must constantly operate in the market and must make decisions as to prices and yields. While dealers in government securities absorb or balance out many of these transactions, the Federal Reserve is called upon to deal with the residual balances, which reflect changes in the total supply of bank reserves, and sometimes with others not met by dealers. Sometimes Federal Reserve transactions may amount to hundreds of millions of dollars, without involving any fundamental change in over-all credit demands. Unless these needs were met by the Federal Reserve, yields on government securities would show extremely erratic day-to-day fluctuations. These fluctuations would be similar to those that used to occur in the call money market when it was the central market for the adjustment of bank reserve positions. They would be limited by the level of the discount rates and the willingness of banks to borrow at the Reserve banks.

In general, purely temporary variations are met freely without changes in interest rates, but it is difficult to know to what extent demands reflect temporary or more basic forces. Hence under a flexible policy demands might not be met in full at unchanging rates but some short-term variations in interest rates might be permitted. These variations should be considered as the expression of market forces, not as changes in Federal Reserve policy. Some of the rate fluctuations in recent months have been of this nature.

Basic Changes In Supply of Reserves: Smaller quantitatively, but basically more important, are changes in the over-all supply of bank reserves resulting from factors not directly related to Federal Reserve or commercial bank credit operations and not purely temporary.

One of these is the flow of gold, which at times has been very large. The gold inflow, which exceeded $2 billion in 1947 and was about $1.5 billion in 1948, declined sharply in 1949. Since devaluation of foreign currencies in September the direction of flow has been outward, thus reducing the supply of reserves. In the long run, however, in view of the world need for dollars, it is likely that gold will flow to this country. Movements of foreign government and central bank deposits at Federad Reserve banks, which also reflect the international situation, may likewise affect the volume of bank reserves.

The gradual return flow of currency from circulation that has persisted since the end of the war is another factor adding small amounts to the supply of reserves. This return flow has averaged about half a billion dollars a year since 1946. The amount remaining in circulation is probably far in excess of normal needs for cash.

Such developments are reflected in the available supply of funds in the money market and in the market for government securities. Unless the demands are met by the Federal Reserve, by selling or buying securities and thereby absorbing or supplying reserves, interest rates would change and the volume of bank credit might expand or contract. The extent to which the System absorbs these movements and moderates their effect on bank reserves and interest rates is a matter of current policy determined in the light of the current economic situation.

Private Credit Demands: Policy decisions by the Federal Reserve rest to a large extent upon the course of private credit demands, the activity of banks in meeting these demands, and the general economic situation. Monetary expansion resulting from increasing bank credit ordinarily results in sale of government securities to the Federal Reserve.

The Federal Reserve might influence the decision of banks by the price it is willing to pay for the securities. If the Federal Reserve refuses to buy securities offered, market prices of the securities are like to decline, which means a rise in interest rates. It is important to recognize that unless the Federal Reserve acts to meet all demands interest rates will reflect market forces.

What is the situation with respect to private bank credit expansion? In 1949 the total of adjusted deposits and currency increased by about a billion dollars, following a decline of a similar amount in 1948. Required reserves, which represent the need for Federal Reserve aid, showed only moderate variations as a result of these changes. Last year's growth in deposits was due to a moderate expansion in bank loans and holdings of municipal and corporate securities. In 1948 a much larger loan expansion had been offset by a decrease in bank holdings of government securities. Another characteristic of last year is that the over-all loan expansion resulted from increases in consumer and real estate loans and occurred notwithstanding a reduction in business loans.

It seems that in 1950 expansion in consumer and real estate loans is continuing, while the contraction in business loans has slackened. Banks may increase further their holdings of state and municipal securities. So far this year there has been an actual contraction of bank deposits, reflecting in part large tax payments usual at this time and in part substantial nonbank purchases of government securities from commercial and Federal Reserve banks. Because of large Treasury borrowing needs during the remainder of the year, however, it seems unlikely that this trend will continue, and some monetary expansion appears to be in prospect from private credit demands, independent of Treasury needs.

Treasury Requirements: In 1950 the Treasury's financing needs will again be an important factor in the demand for credit and in the flow of incomes and expenditures. For this reason, as well as because of the large volume of outstanding securities, the government securities market will, as in other recent years, be a dominant money market factor. Treasury needs are for two major purposes: (1) refunding an exceptionally large volume of maturing securities and (2) meeting the largest cash deficit of any peacetime year.

Marketable government securities, maturing or callable in 1950, excluding the regular quarterly rollover of about $12 billion of Treasury bills, aggregate $44 billion. About $17 billion of these had been handled by April 1, but $27 billion remain and another $5 billion of certificates mature on Jan. 1, 1951. The problem of offering securities to refund the issues being redeemed is closely related to that of securities to be offered to obtain new money and concerns the question of maintaining a balanced debt structure relative to market demands. These questions are treated lated in this paper.

In addition to refunding, the Treasury will have to raise a substantial amount of new money in 1950. The deficits in cash con-

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

When I sat down to write this I fully intended to devote much of this space to a discussion of the Dow theory. It would have been very profound; full of stuff about double tops, double bottoms, penetrations and line cuts and other jabberwocky so dear to chart followers.

* * *

But after looking at hundreds of charts I threw the whole thing up and went out to look at the front lawn and study the new crop of weeds racing the expensive grass seed all over the place. According to the best advice (expensive anyway), a lawn planted in the fall is the best kind. To give it something to grow on I bought tons (at least the charge seemed like it was for tons) of loam, spiced it with some kind of plant food, dressed the whole thing up with lime so it looked like whipped cream on a chocolate cake. And now what do I have—a lot of fancy weeds and bare spots!

* * *

You're probably wondering what all this has to do with the stock market. The answer is, it has nothing to do with it. But in weather like this, who wants to talk (or write) about the stock market?

* * *

Well, it looks like rain, so I'll go back to the discussion of stocks and let the flora and fauna (consisting mostly of cats and dogs who find my lawn an ideal picnic ground) alone for the time being.

* * *

Last week I opined in this space the rail averages, which everybody was waiting to go up, would do so, and that the immediate result would be a standoff. Well, since this was written they did go up a few cents, going through their old highs, but the end result was negative. The crazy thing about the market is that it has all the technical ingredients of a major bust-out on the up-side, but still it does nothing.

* * *

If the market goes sharply in any direction it will be one of the most widely advertised moves in recent history. Just take a look at your market letters, the free ones from the brokers or the paid ones from the different services. All of them agree on one of two programs. The first is that a break is coming; the second, that this is the ideal time to buy them.

* * *

Obviously, they both can't be right. Which brings me to the point where I, too, must have an opinion. My answer isn't going to clear up anything, mainly because it will be somewhere between the up-and-down theories. Instead of a major up or down, I feel the immediate future will show a dullness, highlighted here and there by various individual stocks. Occasionally a piece of news will affect some stock or other, though the main trend will make poor pickings for the man desirous of seeing action.

* * *

All this doesn't make for a policy of winning friends or influencing people. I'm anxious as the next man to see a profit. But until I see how, I intend sitting it out studying lawns.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

A. H. Randell Opens

(Special to THE FINANCIAL CHRONICLE)

NILES, Ohio—Arnold H. Randell is engaging in a securities business from offices at 1106 Bruce Court.

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Current Money Market Problems and Policies

solidated budgets have been estimated at $5.3 billion in the fiscal year ending June 1950 and $2.3 billion in the next fiscal year. It happens, however, that the distribution of receipts and expenditures is such that the cash deficit for the calendar year 1950 alone might exceed $7 billion. Some of these needs may be met by reducing the Treasury's cash balance, but net new borrowing will probably need to be at least $5 billion and in addition nearly $2 billion may be required to meet cash redemptions of maturing issues not exchanged for new offerings.

The major question for this year is to what extent can these new funds be borrowed from nonbank investors and to what extent must bank credit and resulting monetary expansion be relied upon to finance Treasury needs. In 1949 individuals, businesses, and trust funds on balance absorbed about $3 billion of government securities, while life insurance companies reduced their holdings by a billion dollars. The banking system showed little net change, with commercial banks buying and the Federal Reserve selling.

In 1950 the nonbank public will have more funds available for use because of the deficit itself. These funds may pass through a lot of hands, but in the final analysis they will either go to buy government securities or be placed on deposit in, or be used to reduce indebtedness at, banks, which would buy the securities sold to finance the deficit. Since bank deposits are likely to be expanded some by private credit expansion, it seems unlikely that businesses and individuals would want to add much more to their cash holdings. The types of securities offered by the Treasury and the policies followed by the Federal Reserve can considerably influence the eventual distribution of the securities sold and of those outstanding.

Private Savings and Investment: The extent of buying of government securities by particular groups of nonbank investors depends upon the supply of savings available and alternative uses for those savings. One of the most complicated aspects of an analysis of money market factors is that concerned with the flow of private savings and investments. Individuals and businesses as broad groups are both borrowers and lenders. Individual savings may be directly invested in goods or property, used to purchase securities of corporations or governments, diverted to payment of debt, or held as cash or in bank deposits. Business savings may be used for similar purposes. There may be important shifts between these various categories in any one year.

Current savings have been relatively larger in recent years and they will probably be even larger in 1950. Business corporations are expected to have more cash available for temporary investments, pension funds will no doubt increase, institutional investors and individuals should have fully as much to lend as they had last year. Investment demands, which also have been large, may be somewhat smaller in 1950 than in 1949, primarily because of reduced business needs for capital expansion. New mortgage demands are expected to continue close to last year's level, even after allowing for increasing amortization payments on the growing volume of mortgages outstanding. Sales of government securities by insurance companies have slackened and in recent months these companies have been buyers on balance. Thus it appears that an even larger volume of funds should be available for investment in government securities this year than last.

Term Structure of the Public Debt and of Interest Rates: Mention has been made of the effect of the term structure of interest rates in the early postwar period in encouraging shifts from short-term to long-term securities. Not only the differential in interest rates but also the distribution of securities among different maturities and types of issues have an important bearing upon money market developments. Market preferences for particular issues reflect needs or desires for liquidity, for balanced portfolio distributions, and for earnings. These preferences relative to the supplies of such issues available will be reflected in the structure of interest rates.

In recent years most of the Treasury maturities have been refunded by offering in exchange new issues maturing within a year or two. As a consequence the average maturity of the debt has been gradually shortened. This policy would also tend to reduce the average interest charge on the marketable portion and the return to investors, but this effect has so far been offset by the attrition in interest credited to savings bonds and by the rise in short-term rates during recent years. Because of the shortened maturities banks and other holders of government securities have more liquidity than they feel they need, as well as smaller earnings than they desire. At the end of 1949, 40% of all government securities held by commercial banks were due or callable within one year and another 40% within one to five years, compared with 25 and 40% respectively at the end of 1946 and 14 and 42% at the end of 1941.

The types of securities offered by the Treasury for refunding, as well as for new borrowing, have an important bearing upon their distribution among different sorts of holders. If securities are primarily of the types which are not desired by institutions and individuals for the investment of savings, then they must be purchased by banks. If banks do not want them, the financing could be accomplished only by Federal Reserve purchases of securities in order to build up a sufficient market demand.

During the past year the market has shown definite preferences. In August, for example, when there was a general expectation that interest rates would decline, medium and long-term issues were preferred over bills. In December and January, however, when expectations changed, there was a preference for very short-term securities and a tendency to sell the somewhat longer issues. The Federal Reserve had to buy certificates while selling bills.

For nearly a year and a half there has been a persistent demand for long-term, higher-rate bonds. This has reflected the continued wide margin between short-term and long-term rates, the general confidence in the relative stability of government bond prices, and the gradual decrease in the available supply of long-term bonds. During the latter half of 1949, the Federal Reserve did not sell bonds and prices rose sharply; recently demands of the market have been met by Federal Reserve sales and bond prices have declined moderately.

These various market preferences would ordinarily be reflected in adjustments of market prices of particular types of issues. To the extent, however, that the demands are met by the Federal Reserve at fixed prices, the corrective price adjustments are prevented. Under a flexible monetary policy these market preferences would be given some leeway in affecting prices. Adjustments of this nature in prices and yields among the various issues should not be considered as reflecting over-all variations in the demand for credit or major changes in policy.

Treasury offerings or Federal Reserve sales to meet demands for particular types of securities would tend to satisfy these demands and might reduce the pressure toward price adjustments. For example, recent offerings of longer-term notes in exchange for maturing issues both reduce the proportion of very short-term securities and increase the amount of medium-term issues available. This tends to diminish the excess liquidity of banks and gives a better portfolio distribution, as well as higher earnings than would otherwise be available. It is likely that with a smaller volume of short-term issues and a larger volume of longer-term issues available a substantial differential in interest rates would continue as a reflection of market demands.

The Purpose of Flexibility: Question may be, and in fact has been, raised as to what may be gained by a flexible monetary policy. This question must be answered in terms of the aims and purposes of monetary policy. The desirable goal of Federal Reserve policies was well stated in the recent recommendation of the Subcommittee on Monetary, Credit, and Fiscal Policies of the Joint Committee on the Economic Report, as follows:

"We recommend that an appropriate, flexible, and vigorous monetary policy, employed in coordination with fiscal and other policies, should be one of the principal methods used to achieve the purposes of the Employment Act. Timely flexibility toward easy credit at some times and credit restriction at other times is an essential characteristic of a monetary policy that will promote economic stability rather than instability. The vigorous use of a restrictive monetary policy as an anti-inflation measure has been inhibited since the war by considerations relating to holding down the yields and supporting the prices of United States Government securities. As a long-run matter, we favor interest rates as low as they can be without inducing inflation, for low interest rates stimulate capital investment. But we believe that the advantages of avoiding inflation are so great and that a restrictive monetary policy can contribute so much to this end that the freedom of the Federal Reserve to restrict credit and raise interest rates for general stabilization purposes should be restored even if the cost should prove to

be a significant increase in service charges on the Federal debt and a greater inconvenience to the Treasury in its sale of securities for new financing and refunding purposes."

The President's Council of Economic Advisers, however, presented to the Committee on the Economic Report the following opposing comment on the Subcommittee's recommendation:

"The difference in our position from that of the Subcommittee arises in part from a somewhat different view of the desirability of low interest rates. In the report of the Subcommittee it is said, and repeated, that low interest rates are generally beneficial, but it is proposed to yield that principle in periods of inflation and to use central bank operations to induce an increase in the cost of money.

"Our view is that low interest rates are always desirable. In periods of inflation they have the undesirable collateral consequence of contributing to inflationary forces, but even then they have the economic advantage of facilitating the expansion of productive capacity which is the best road to stability. Where we differ with the Subcommittee is that we would not abandon the advantages of cheap money and use central bank operations to cause an anti-inflationary increase in interest rates. We would retain the advantages of cheap money and adopt other measures to curb the inflationary forces. In extreme cases, as in 1947-48, we would tighten the availability of credit by pressure upon bank reserves under the plan proposed by the Federal Reserve Board at that time, but would hold the resulting trend to higher interest rates within narrow limits."

A partial answer to this point of view may be found in the Douglas Subcommittee Report, as follows:

"At various points it will be noted that a restrictive monetary policy usually produces higher interest rates and a liberal policy lower interest rates. It must be emphasized, however, that the effectiveness of general monetary and credit policy does not depend solely on the movement of interest rates. Typically, the Federal Reserve does not operate directly on interest rates but on the total lending power of the banking system and thereby on the total supply of credit. Its actions in reducing the volume of bank reserves or increasing the percentages of reserves required against deposits decreases the total lending power of banks. To some extent the banks curtail their lending by raising interest rates, but they are likely to rely to a greater extent on various kinds of credit rationing. A relatively small rise in interest rates may be accomplished by a marked reduction in the availability of credit. On the other hand, when the Federal Reserve increases the total lending power of the banks, the latter use lower interest rates to some extent to increase the amount of credit that they can sell, but they tend also to rely on a relaxation of credit-rationing restrictions. A relatively small decline in interest rates may be accompanied by a considerable increase in the availability of credit.

"As noted earlier, flexibility is an essential characteristic of a monetary policy that will promote general economic stability. To combat deflation, it must make money and credit more available at lower cost; and, to curb inflation, it must restrict the availability and raise the cost of money and credit. . . ."

Further comment on this question was given in a recent statement regarding the "Effect of Housing Finance on Federal Reserve Policies" prepared by Governor Eccles at the request of Senator Fulbright, as follows:

". . . As the Douglas Subcommittee report pointed out, 'the essential characteristic of a monetary policy that will promote general economic stability is its timely flexibility.' But Federal Reserve policies cannot be varied in response to changing needs without affecting interest rates. For the Federal Reserve to endeavor to maintain a rigid level of interest rates would mean supplying all credit demands in time of expansion and absorbing all of the unused supply of credit in times of contracting demands. Such policies would tend to create instability, because they would tend to reinforce both the expansion and the contraction phases of economic fluctuation."

Conclusion

In 1950, probably for the first peacetime year in its history, this country is faced with a relatively large deficit in the Federal Government's budget, and also substantial borrowing by state and local governments, accompanying high levels of spending and investment by businesses and individuals. Fortunately many of the war accumulated shortages and deferred demands have been satisfied and the country has an enlarged capacity for production and fully adequate supplies of workers. Danger of excesses appear to be localized, rather than general, but there are stimulating factors —such as the large deficit, the unsatisfied housing demands, the rapid consumer credit expansion, the price supports, the European aid program—which may not continue indefinitely. Care is needed not to add other temporary stimulants but to give the economy opportunity for self adjustment to a position of equilibrium.

Availability of money and credit is adequate to meet all likely needs. There appears to be no need for especially easy money markets nor at present for tightly restrictive policies. A flexible monetary policy would permit adjustment of restraints or stimulants to the needs of the situation as they develop.

In view of the large public debt outstanding, the particularly heavy refunding this year, and the substantial amount of new Treasury borrowing needed to meet the deficit, the task of debt management and of accompanying monetary policies present major problems. Debt management, which is primarily the responsibility of the Treasury, involves the offering of new securities with rates and terms that meet current demands of the market. The Treasury has no power to determine the general level of interest rates or the over-all availability of funds, but it can by its offerings lead to, or prevent, distortions in the market structure. The selection of appropriate issues to meet the existing demands of the market is a difficult and most important task.

Federal Reserve policies to a large degree determine the level of interest rates and the over-all availability of funds. The Federal Reserve can to a much more limited degree affect various segments of the market. But these powers should be exercised with due regard to the general economic situation so as not to provide undue ease or undue restriction at inappropriate times. They must also be exercised with regard to the large volume of government securities outstanding and the possibility of stimulating widespread selling or buying movements that would create highly disorderly markets.

The essence of a flexible monetary policy is that market forces of demand and supply are permitted to reflect themselves in interest rates so that adjustments may be made through the price system, with a minimum of authoritarian controls and rigidities, as is appropriate for a free-enterprise competitive economy. It must be kept in mind, however, that merely to meet temporary variations in the money market, as well as to assure maintenance of markets under any emergencies, the Federal Reserve must constantly be prepared to operate in government securities on a fairly large scale; otherwise markets would be highly disorderly and interest rates would fluctuate widely. These transactions must be made at some currently determined prices. The task, therefore, is to meet in part day-to-day market demands and to moderate interest rate fluctuations but not to maintain a rigid structure of rates which never reflect market forces. Under this type of policy, fluctuations in government security prices and yields would reflect market conditions and not merely changes in Federal Reserve policies.

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Program and Aims in Government Power Development

tiple-purpose programs directed toward the whole range of our conservation objectives. We still have magnificent opportunities in this great country and we must not fritter them away by such narrow actions. The public interest clearly demand public developments.

For the reasons I have outlined, among others, public power is here to stay. But we in the Department of the Interior do not believe that the development of integrated river-basin programs by public agencies spells the doom of private enterprise. Recent history does not support the view that the public power is pulling the props out from under the electrical utility industry.

Thirty years ago public power made up only 4% of our total annual output of electrical energy. Last year public power's contribution amounted to 20% of the National output. Measured in relative terms, private power lost ground. But the industry's markets actually expanded more than six times over the years. The output of privately-owned plants jumped from 38 billion killowatt-hours in 1920 to 233 billion in 1949.

Since the Holding Company Act was approved by Congress 15 years ago, government regulatory agencies have forced private utility companies to write off $1,500,000,000 in inflated stock valuations, according to the Securities and Exchange Commission. Despite this, net income of private utilities in 1949 amount to $753 million. This was nearly 55% more than they earned in 1938. And this rise in profits took place during the period in which public power was making its most rapid growth. This is hardly a calamitous situation for the utility industry.

Prosperity of Northwest Power Companies

In 1940, with Federal power development on the Columbia River in its early stages, the Big Five companies in the Northwest—Pacific Power and Light, Washington Water Power, Puget Sound Power and Light, Portland General Electric, and Mountain States Power—showed a combined net income of $7,866,000. By 1948, public power plants at Bonneville and Grand Coulee Dams were turning out 10.9 billion kilowatt-hours of energy. The output of the Big Five, excluding their large purchases of Federal power, had risen from 3.0 to 4.4 billion kilowatt-hours and their net income of $13,484,000 was almost twice their 1940 earnings. As compared with a return on capital and surplus of 4.8% in 1940, their investment paid off at the rate of 8.55% in 1948.

No wonder that the Vice-President of Pacific Power and Light told breakfasting Washington newspapermen two weeks ago, and I quote: "It is obvious that the (Pacific Northwest) region must have more and more power to support its growth. . . That is why we of the private electric companies of Oregon and Washington have been coming back here to Washington from year to year, urging the Appropriations Committee to keep the government's power plant program on the Columbia going forward on schedule. . . . It has been a little difficult for some of our associates in the electric industry to understand our position."

Less than a week after Mr. John Dierdorff made this statement, Pacific Power and Light made its annual report to stockholders for 1949. Net income of this company, operating in an area where more public power is produced at lower rates than anywhere else in the United States, was up 44% over 1948.

So, in the Pacific Northwest where the government has its largest block of power and its most extensive transmission grid, instead of dissention and disagreement, we now find in that area an effective working partnership between the government's wholesale electric system, the power companies, and the public distribution agencies, all of whom operate in a single power pool.

New England Situation

Viewed in this light, the long-standing opposition of New England utility companies to public power development there has penalized not only the citizens of that region but the utilities themselves.

Look at some figures. Using the years from 1929 to 1947 as a yardstick, power generating capacity in the New England States, owned entirely by private companies, increased 48%. For the country as a whole, the increase averaged 77%, for the TVA states 140%, and for the Pacific Northwest 146%. In this same period, total income in New England rose 91% while the increase for the country as a whole was 129%, for the TVA states 198%, and for the Pacific Northwest 202%.

These comparisons make plain why two New England governors have recently gone on record as favoring river development including electric power production and why Senator Green of Rhode Island has introduced legislation in Congress which would establish a New England commission of Federal and State representatives to investigate available water power resources in that region.

Let me turn now to Federal power policy, which has been reiterated by the Congress for more than four decades and is said to be confusing some of the utilities. This policy can be simply stated. Federal dams shall include, where feasible, facilities for generating electrical energy. Preference in power sales shall be given to public agencies and cooperatives. Power disposal shall be for the particular benefit of domestic and rural consumers. Power shall be sold in wholesale quantities at the lowest possible rates consistent with sound business principles. It should be noted that the Federal Government is not in the retail distribution business. Disposal shall be such as to encourage widespread use, and to prevent monopolization.

I find nothing confusing here. These principles are clear-cut. Their basic soundness is apparent.

How Far Shall Government Go?

Some of the utility companies, conceding only that the Federal Government can build great dams, would have the government turn over to them at the bus-bar the power generated at public expense. But if control over public power were relinquished at the point of generation, many of the purposes I have stated could not be so well served.

To carry out the mandate of Congress, construction of Federal backbone transmission lines is required. Generating stations, for efficiency, must be tied together, and the respsonsibility of the Department of the Interior does not end until the power has been made available to the consumer, preferably through public agencies or cooperatives, under circumstances that encourage use and prevent monopolization, and at rates consistent with sound business principles.

In some instances the need for investment of Federal funds in transmission facilities can be obviated through the use of proper wheeling contracts. These are arrangements by which utilities agree to deliver public power over their lines to public distributors. Such contracts, several of which have been signed within recent months, help to integrate private and public power supplies for the benefit of consumers and give the power company a part in the continuing effort to serve the respective regions.

The guideposts I have enumerated are those by which the Department of the Interior, which markets Federal Power outside the Tennessee Valley, conducts its business through the Reclamation Bureau, the Bonneville Power Administration, the Southwestern Power Administration, and the newly established Southeastern Power Administration.

Under these principles the program is carried out not just to produce kilowatts of energy, or to make the Treasury whole, important as those objectives may be, but in addition to aid the general economic business and industrial development of the regions where the power is produced and to benefit the people as directly as possible. I think we can report good progress in attaining these goals, which seem wholly desirable to me and in conflict with no American principle.

With Pacific Coast Secs.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Fred H. St. Goar is now associated with Pacific Coast Securities Company, 519 California Street. In the past he was with H. R. Baker & Co. and conducted his own investment business in San Francisco.

Now Hanan & Kiebler

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—The firm name of Hanan & Willcox, Mills Building, has been changed to Hanan & Kiebler. Partners are Richard A. Hanan and Lawrence R. Kiebler.

With McAndrew & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Edward L. L. Benson is with McAndrew & Co., Incorporated, Russ Building.

Stone & Youngberg Add

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Marvin Wong has been added to the staff of Stone & Youngberg, Russ Building.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	May 14	100.1	100.2	97.8	96.2
Equivalent to—					
Steel ingots and castings (net tons)	May 14	1,908,200	1,910,100	1,864,300	1,773,500
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	April 29	5,013,950	5,026,100	4,872,950	4,979,556
Crude runs to stills — daily average (bbls.)	April 29	§5,314,000	5,266,000	5,470,000	5,273,000
Gasoline output (bbls.)	April 29	18,038,000	17,652,000	18,432,000	17,969,000
Kerosene output (bbls.)	April 29	2,029,000	1,872,000	2,301,000	1,837,000
Gas, oil, and distillate fuel oil output (bbls.)	April 29	6,531,000	7,167,000	6,501,000	6,681,000
Residual fuel oil output (bbls.)	April 29	7,272,000	7,688,000	7,922,000	8,185,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	April 29	128,655,000	131,266,000	135,586,000	125,115,000
Kerosene (bbls.) at	April 29	12,825,000	12,433,000	12,425,000	18,922,000
Gas, oil, and distillate fuel oil (bbls.) at	April 29	36,686,000	37,121,000	38,532,000	50,028,000
Residual fuel oil (bbls.) at	April 29	39,260,000	39,767,000	41,041,000	59,978,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	April 29	745,350	722,644	720,353	785,444
Revenue freight received from connections (number of cars)	April 29	658,657	645,920	670,256	622,969
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 4	$250,591,000	$219,148,000	$304,439,000	$129,266,000
Private construction	May 4	140,944,000	124,212,000	216,615,000	51,233,000
Public construction	May 4	109,647,000	94,936,000	87,824,000	78,033,000
State and municipal	May 4	79,032,000	88,113,000	65,831,000	56,865,000
Federal	May 4	30,615,000	6,823,000	21,993,000	21,168,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	April 29	11,080,000	*11,175,000	11,940,000	11,727,000
Pennsylvania anthracite (tons)	April 29	993,000	738,000	1,031,000	963,000
Beehive coke (tons)	April 29	126,100	*121,300	89,100	170,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	April 29	283	279	301	286
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 6	5,871,684	5,902,163	5,897,831	5,283,592
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	May 4	199	186	203	193
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 2	3.837c	3.837c	3.837c	3.746c
Pig iron (per gross ton)	May 2	$46.38	$46.38	$46.38	$46.13
Scrap steel (per gross ton)	May 2	$31.08	$29.58	$28.83	$23.08
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 3	19.200c	19.200c	18.200c	18.200c
Export refinery at	May 3	19.425c	19.425c	18.425c	18.425c
Straits tin (New York) at	May 3	77.250c	76.750c	74.250c	103.000c
Lead (New York) at	May 3	11.000c	11.000c	10.500c	15.000c
Lead (St. Louis) at	May 3	10.800c	10.800c	10.300c	14.800c
Zinc (East St. Louis) at	May 3	11.250c	11.000c	10.350c	12.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 9	102.70	102.71	102.85	101.60
Average corporate	May 9	116.02	116.02	116.41	113.31
Aaa	May 9	120.84	121.04	121.25	119.00
Aa	May 9	119.41	119.61	119.82	117.40
A	May 9	115.63	115.63	115.82	112.37
Baa	May 9	108.70	108.70	109.06	105.00
Railroad Group	May 9	111.07	111.25	111.62	108.34
Public Utilities Group	May 9	117.00	117.00	117.20	114.08
Industrials Group	May 9	120.22	120.02	120.22	117.40
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 9	2.31	2.30	2.29	2.39
Average corporate	May 9	2.85	2.85	2.83	2.99
Aaa	May 9	2.61	2.60	2.59	2.70
Aa	May 9	2.68	2.67	2.66	2.78
A	May 9	2.87	2.87	2.86	3.04
Baa	May 9	3.24	3.24	3.22	3.45
Railroad Group	May 9	3.11	3.10	3.08	3.26
Public Utilities Group	May 9	2.80	2.80	2.79	2.95
Industrials Group	May 9	2.64	2.65	2.64	2.78
MOODY'S COMMODITY INDEX	May 9	379.3	369.9	360.3	343.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	April 29	200,061	193,646	223,429	153,079
Production (tons)	April 29	208,056	211,568	203,668	161,559
Percentage of activity	April 29	92	93	92	80
Unfilled orders (tons) at	April 29	343,709	356,134	371,805	260,331
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	May 5	120.6	120.8	121.2	132.6
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	April 22	38,747	36,005	30,362	22,801
Number of shares	April 22	1,232,325	1,123,297	921,896	643,764
Dollar value	April 22	$45,303,898	$44,370,358	$39,296,060	$26,401,544
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	April 22	44,377	42,246	35,434	20,402
Customers' short sales	April 22	279	251	294	305
Customers' other sales	April 22	44,098	41,995	35,140	20,097
Number of shares—Customers' total sales	April 22	1,307,897	1,222,027	996,888	579,609
Customers' short sales	April 22	10,104	8,900	10,932	12,098
Customers' other sales	April 22	1,297,793	1,213,127	985,956	567,511
Dollar value					
Round-lot sales by dealers—	April 22	$44,267,867	$43,465,265	$36,845,440	$19,987,945
Number of shares—Total sales	April 22	447,650	406,100	342,150	181,360
Short sales	April 22	------	------	------	------
Other sales	April 22	447,650	406,100	342,150	181,360
Round-lot purchases by dealers—					
Number of shares	April 22	329,450	311,270	275,030	230,780
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	May 2	154.3	153.7	152.0	155.3
Farm products	May 2	162.1	160.8	157.6	168.8
Grains	May 2	172.5	170.9	168.0	162.2
Livestock	May 2	209.8	204.8	193.8	198.9
Foods	May 2	159.0	*157.4	156.0	162.3
Meats	May 2	229.2	222.9	212.7	222.3
All commodities other than farm and foods	May 2	146.6	*146.6	145.6	147.3
Textile products	May 2	134.6	135.3	135.8	141.7
Fuel and lighting materials	May 2	131.3	*131.1	130.3	130.3
Metals and metal products	May 2	170.5	170.3	169.6	168.9
Building materials	May 2	194.4	194.3	193.0	195.4
Chemicals and allied products	May 2	116.7	117.0	117.3	117.5

*Revised figures. §Includes 495,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. —U. S. DEPT. OF LABOR — Month of February (000's omitted):			
All building construction	$573,745	*$558,374	$417,563
New residential	358,217	*326,514	203,734
New nonresidential	155,974	*166,233	152,749
Additions, alterations, etc.	59,554	*65,627	61,080
BUSINESS INCORPORATIONS, NEW IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of March	9,180	7,736	7,637
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of March (000's omitted)	$818,400	$213,200	$705,600
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES 1935-1949 = 100—As of March 15:			
All items	167.0	166.5	169.5
All foods	196.0	194.8	201.6
Cereals and bakery products	169.0	169.0	170.1
Meats	227.3	221.6	229.6
Dairy products	182.4	183.6	190.3
Eggs	150.2	141.1	180.1
Fruits and vegetables	195.2	199.1	214.5
Beverages	311.6	304.5	208.5
Fats and oils	134.2	133.5	155.1
Sugar and sweets	176.9	178.0	175.6
Clothing	185.0	184.8	193.9
Rent	122.9	122.8	120.1
Fuel, electricity and refrigerators	140.9	140.3	138.9
Gas and electricity	97.1	97.1	96.1
Other fuels	194.4	193.2	192.5
Ice	146.6	145.5	140.4
House furnishings	185.4	185.3	193.8
Miscellaneous	155.0	155.1	154.4
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC. (1935-1939 = 100)—Month of March	298.9	284.8	287.1
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (excl. of linters final)	15,907,646	------	14,580,279
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of March:			
Cotton Seed—			
Received at mills (tons)	213,182	261,577	880,944
Crushed (tons)	492,176	533,085	93,651
Stocks (tons) March 31	858,101	1,137,095	472,689
Crude Oil—			
Stocks (pounds) March 31	99,469,000	*146,885,000	184,758,000
Produced (pounds)	162,217,000	173,826,000	153,918,000
Shipped (pounds)	177,438,000	189,962,000	163,886,000
Refined Oil—			
Stocks (pounds) March 31	271,007,000	273,525,000	242,512,000
Produced (pounds)	160,817,000	174,054,000	150,595,000
Consumption (pounds)	174,461,000	158,713,000	133,361,000
Cake and Meal—			
Stocks (tons) March 31	186,446	196,406	95,907
Produced (tons)	220,201	235,130	209,422
Shipped (tons)	230,161	214,448	205,768
Hulls—			
Stocks (tons) March 31	84,657	101,052	108,196
Produced (tons)	116,879	125,503	209,422
Shipped (tons)	133,274	131,061	205,768
Linters—running bales—			
Stocks March 31	126,774	172,073	213,422
Produced	146,829	157,860	143,704
Shipped	192,128	202,634	135,950
Hull Fiber (1,000-lb. bales)—			
Stocks March 31	504	1,680	1,489
Produced	1,090	1,085	1,425
Shipped	2,266	1,033	1,018
Motes, grabbots, etc. (1,000 pounds)—			
Stocks March 31	6,307	6,625	11,883
Produced	3,053	3,036	2,548
Shipped	3,371	3,170	3,197
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of February:			
All manufacturing (production workers)	11,464,000	*11,451,000	------
Durable goods	5,986,000	*6,001,000	------
Nondurable goods	5,478,000	*5,450,000	------
Employment indexes—			
All manufacturing	139.9	*139.8	147.4
Payroll indexes—			
All manufacturing	330.1	*329.2	340.4
Estimated number of employees in manufacturing industries—			
All manufacturing	13,999,000	*13,981,000	14,649,000
Durable goods	7,335,000	*7,347,000	7,923,000
Nondurable goods	6,664,000	*6,634,000	6,726,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of March:			
Earnings—			
All manufacturing	$56.57	$56.37	$52.86
Durable goods	59.97	*59.47	56.82
Nondurable goods	52.90	*53.06	49.00
Hours—			
All manufacturing	39.7	*39.7	38.5
Durable goods	40.3	40.1	39.0
Nondurable goods	39.1	*39.3	38.1
Hourly earnings—			
All manufacturing	$1.425	*$1.142	$1.373
Durable goods	1.488	*1.483	1.457
Nondurable goods	1.353	*1.350	1.286
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of February:			
Death benefits	$124,549,000	$132,259,000	$117,839,000
Matured endowments	38,750,000	46,643,000	38,101,000
Disability payments	7,800,00	8,969,000	7,825,000
Annuity payments	19,434,000	25,323,000	17,630,000
Surrender values	51,007,000	53,463,000	41,746,000
Policy dividends	47,168,000	60,422,000	46,239,000
Total	$288,708,000	$327,079,000	$269,380,000
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of April:			
Industrials (125)	6.18	6.40	7.02
Railroads (25)	6.72	6.74	8.63
§Utilities (24)	5.27	5.30	5.98
Banks (15)	4.38	4.42	4.71
Insurance (10)	3.44	3.30	3.34
Average yield (200)	5.98	6.16	6.81
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS — Month of March (000's omitted):			
Exports	$867,100	$773,000	$1,177
Imports	663,300	600,100	633

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The State of Trade and Industry

taining delivery promises in spite of production losses over which they had no control.

Deliveries are running from two weeks to six weeks behind schedule. The average is about three weeks. The longest delays are for hot and cold-rolled sheets, strip and galvanized, reflecting heavy demand for these products. Steel people realize that restraint on their part can help prevent this demand from getting completely out of hand and are presently allotting scarce items. Many letters from customers, some of whom had previously complained when their orders weren't taken, now commend the mills on delivery performance.

The conversion market is booming and prices are fancy, with the end still not in sight. Gray market activity is also increasing, but the tonnage involved is not significant compared with total production. It is also worth noting, "The Iron Age" points out, that the market will not support the high prices of two years ago, even though some of these people charge all the traffic will bear.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity for the entire industry will be 100.1% of capacity for the week beginning May 8, 1950. This is 0.1 of a point below last week's rate of 100.2%.

This week will be the fourth consecutive week of steel production at 100% of capacity or better.

This week's operating rate is equivalent to 1,908,200 tons of steel ingots and castings for the entire industry compared to 1,910,100 tons one week ago. A month ago the rate was 97.8% and production amounted to 1,864,300 tons; a year ago it stood at 96.2% and 1,773,500 tons.

ELECTRIC OUTPUT TURNS LOWER

The amount of electrical energy distributed by the electric light and power industry for the week ended May 6 was estimated at 5,871,684,000 kwh., according to the Edison Electric Institute.

It was 30,484,000 kwh. lower than the figure reported for the previous week, 588,092,000 kwh., or 11.1%, above the total output for the week ended May 7, 1949, and 784,420,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS SHOW FURTHER IMPROVEMENT

Loadings of revenue freight for the week ended April 29, 1950, totaled 745,350 cars, according to the Association of American Railroads. This was an increase of 22,706 cars, or 3.1% above the preceding week.

The week's total represented a decrease of 40,094 cars or 5.1% below the corresponding week in 1949 and a decrease of 145,765 cars, or 16.4% below the comparable period in 1948.

AUTO OUTPUT SLIGHTLY LOWER IN PAST WEEK

According to "Ward's Automotive Report" for the past week, motor vehicle production in the United States and Canada dropped to an estimated 146,583 units compared with the previous week's total of 148,274 (revised) units.

The total output for the current week was made up of 114,485 cars and 25,315 trucks built in the United States and a total of 4,895 cars and 1,888 trucks built in Canada.

The week's total compares with 130,113 units produced in the like 1949 week.

BUSINESS FAILURES MOVE UPWARD

Commercial and industrial failures rose to 199 in the week ended May 4 from 186 in the preceding week, according to Dun & Bradstreet, Inc. Casualties were slightly higher than a year ago when 193 occurred, and were almost twice as numerous as the 108 in the comparable week of 1948 Despite the rise, failures remainded 30% below their prewar level; a total of 281 concerns succumbed in the similar week of 1939.

Trade, both wholesale and retail, and construction reported mild increases during the week. In manufacturing and commercial service failures declined. These two lines had fewer casualties than a year ago, whereas the other industry and trade groups reported more failures than in 1949.

Six of the nine major regions reported weekly increases in casualties. The Middle Atlantic, the Pacific and East North Central States had a mild advance. A relatively sharper rise occurred in the South Atlantic States. The New England States reported the only marked decline. In most areas failures were not above the levels of a year ago; the exceptions were New England, Middle Atlantic, South Atlantic, and Pacific States.

WHOLESALE FOOD PRICE INDEX POINTS HIGHER

There was a further slight rise in the Dun & Bradstreet wholesale food price index last week as individual price gains continued to outnumber advances. The index advanced to $5.84 on May 2, from $5.83 a week earlier. It compared with $5.71 on the corresponding date of last year, or an increase of 2.3%.

The index represents the sum total of the price per pound of 31 foods in general use. It is not a cost-of-living index.

WHOLESALE COMMODITY PRICE INDEX EXTENDS MILD UPWARD TREND

Continuing its gradual upward movement, the Dun & Bradstreet daily wholesale commodity price index advanced to a further new high for the year this week. The index finished at 257.15 on May 2, comparing with 255.12 a week earlier, and with 248.54 on the corresponding date a year ago.

Leading grain markets continued to trend higher the past week under the influence of adverse weather and crop news.

New high prices for the season were recorded in all future deliveries of wheat, corn, oats, and soybeans.

Corn was aided also by good demand from elevator and cash interests and removal of hedges against export sales to Norway and Ireland. Local and Eastern demand for oats showed improvement and trading in that grain broadened considerably.

Sizable reductions in this year's crop yields are looked for in the next forecast to be issued by the Department of Agriculture.

In addition to continued dryness in southwestern Winter wheat areas, unusully cold and wet weather in central and northwestern States has delayed and hindered field work and planting of Spring wheat, corn, and oats.

There was a moderate pick-up in demand for flour last week. Domestic bookings of hard wheat bakery varieties reached a fair volume at slightly lower prices than in the preceding week. Export flour business showed some improvement. Trade in cocoa was more active and prices moved higher under expanded manufacturer and commission house buying. There was considerable activity in lard during the week as prices rose to new seasonal highs under good buying prompted by expectations of liberal government allocations for export due to soaring prices for vegetable oils.

Although market receipts of livestock were ample, prices for steers, hogs and lambs recorded further advances under sustained demand.

Despite the fact that movements were irregular during the week, domestic cotton markets developed a firm tone toward the close. Final spot prices at New York were about unchanged for the period. Strength in late trading was attributed to the announcement of the mid-April parity price for cotton at 30.26 cents per pound, which was somewhat higher than had been anticipated by the trade. Other supporting factors included a brighter outlook for cotton goods for the third quarter and reports that the government was interested in exchanging surplus cotton for Chinese soybeans. Hedge selling and profit-taking induced by the current high level of prices tended to hold advances in check.

Reported sales in the ten spot markets rose sharply last week to 142,600 bales, from 116,200 bales the previous week and 111,900 in the corresponding week a year ago. Mill and export buying was the largest for several weeks.

Exports of cotton for the season to May 1, as estimated by the New York Cotton Exchange, amounted to 3,859,143 bales, compared wih 3,553,422 bales during the like period last season. Demand for cotton gray goods was somewhat better with inquiries more numerous.

RETAIL AND WHOLESALE TRADE HOLDS STEADY

Inclement weather throughout many parts of the nation impeded seasonal Spring buying in the period ended on Wednesday of last week, so that retail dollar volume was largely unchanged. It was, however, moderately below the level of the corresponding week a year ago, according to Dun & Bradstreet, Inc., in its current summary of trade.

The retail purchase of clothing and accessories decreased last week, contrary to seasonal expectations. Summer suits, dresses and many ready-to-wear items were disregarded by many shoppers following the return of frost to some scattered areas. There was a slight increase in the sale of sports apparel and beachwear.

While the demand for men's furnishings remained on the rather high level of past weeks, there was a noticeable decline in the volume of suits and topcoats bought.

Despite the lowering of prices for many kinds of fresh and canned foods, there was sufficient volume bought by housewives last week to raise dollar sales slightly above the level of the week before.

Among fresh meats, lamb and pork were especially popular. The purchasing of dairy products rose slightly. Interest in general groceries decreased slightly with retail buying of flour falling substantially below last year's level.

Consumers spent about the same amount on durable goods the past week as in the previous week.

There was a moderate increase in the demand for housewares; small unpainted furniture was popular, as were tableware and gardening items. The volume of outdoor furniture rose somewhat. The purchasing of television sets was sustained at a high level, while moderate declines occurred in the sale of some large appliances.

Total retail dollar volume for the period ended on Wednesday of this week was estimated to be from 2% to 6% below the level of a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England, +2 to —2; East and Northwest, —3 to —7; South and Midwest, —2 to —6; Southwest and Pacific Coast, +1 to —3.

Wholesale ordering for the country was almost unchanged last week; total dollar volume remained fractionally above the level for the comparable week in 1949. While some lines of soft goods were in an increased demand by buyers, this was virtually balanced by slight dips in the requests for some other forms of merchandise. There were slightly less buyers attending wholesale centers than in the previous week; the number for this year so far exceeded that for the similar 1949 period.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended April 29, 1950, declined 1% from the like period of last year. An increase of 5% was recorded in the previous week from that of a year ago. For the four weeks ended April 29, 1950, sales declined 4% from the corresponding period a year ago, and for the year to date show a drop of 3%.

A sharp contraction in retail trade was noted here in New York the past week. Estimated sales of department stores were placed at about 15% under the like week of 1949.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to April 29, 1950, declined 4% from the like period last year. In the preceding week an increase of 1% was registered from the similar week of 1949. For the four weeks ended April 29, 1950, a decrease of 7% was reported from the like week of last year. For the year to date volume decreased by 6%.

Shows Stockholders Favor "Human" Report

The average stockholder will read all sections of the annual report with high interest and understanding if it is presented in simple, human terms, L. A. Van Bomel, President, National Dairy Products Corporation, said in announcing the results of a stockholder survey on the company's 1949 report.

L. A. Van Bomel

The survey, conducted by the Psychological Corporation, and drawing responses from about 3,500 stockholders, revealed that the President's remarks on the state of the business, the simplified financial review in brief, and the condensed 10-year comparative financial statements were the most read. All three were favorably commented on by approximately 70% of the respondents.

However, sections on research, consumers, employees and farmers, presented in readable and human interest terms with generous use of photographs, were also read by a high percentage of stockholders. The read-and-liked scores here were: Research Section, 61%; Consumer Section, 59%; Employee Section, 58%, and Farmer Section, 55%. Those answering "didn't interest me" ranged very low for each of the financial sections, around 2% or 3%; whereas they were slightly higher in the other sections, ranging from 4% to 7%. The differential in each case represents those stockholders who did not answer these specific questions.

"We conceive of our annual report," said Mr. Van Bomel, "as an opportunity to tell the story of many people working together to provide products and services for millions of other people. We realize that our first job is to report to our stockholders on the financial details of our operations, and on how the business in general is being conducted. However, there is no reason why these facts, and others about our activities, cannot be told with clarity and human interest, so that stockholders can identify themselves with the other people who affect or are affected by our operations."

Out of the 3,500 stockholders responding, a total of 85% characterized the report as "easy to understand"; and 78% said that it was "fully informative." A total of 80% of the responses mentioned something about the report that they liked, and a large number referred to its conciseness and readability and to the effective use of charts and photographs.

A high percentage of "free responses," in which stockholders made voluntary comments, were received with the survey. The theme running through most of these comments stressed "the easy-to-understand figures," the "human touch," the "friendliness and simplicity" of the report. Of special note is the number of free responses reflecting the appreciation of women stockholders for the lucidity and readability of the report, especially on financial matters.

National Dairy has a total of 66,200 stockholders. A printed, self-addressed questionnaire enclosed in the 1949 annual report, carried check-lists for opinions concerning the main sections, the copy content and graphics; and on the extent of information given and the ease with which it was understood.

Securities Now in Registration

• **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

American Cladmetals Co. (6/1)
March 31 filed 480,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—Graham & Co., Pittsburgh and New York. **Proceeds**—To install additional facilities and for working capital. Expected between May 10 and 15.

American Cyanamid Co., New York
April 26 filed an unspecified number of shares of series B cumulative preferred stock (par $100), which is convertible before July 1, 1960. They are to be offered to common stockholders of record May 16, 1950 at the rate of one preferred share for each seven common held; rights to expire June 2. **Underwriter**—White, Weld, & Co. **Price**—To be filed by amendment, along with dividend rate. **Proceeds**—For working capital and general funds.

American-Marietta Co., Chicago
April 28 filed 50,926 shares of common stock (par $2) to be offered to holders of 50,926 shares of capital stock of United Brick & Tile Co., Kansas City, to complete acquisition of this company. **Underwriter**—H. M. Byllesby & Co., Chicago (to serve as dealer-manager for soliciting United Brick stockholders).

Ampal-American Palestine Trading Corp.
April 10 filed $3,000,000 of 10-year 3% sinking fund debentures. **Underwriter** — Israel Securities Corp., New York. **Proceeds**—To increase working capital to be used for enterprises in Israel. **Business**—Developing the economic resources of Israel.

• **Arcum Pharmaceutical Corp.**
May 1 (letter of notification) 50 shares of preferred non-voting participating stock, at par ($100 per share). No underwriter. Proceeds to manufacture and distribute two new products. **Office**—1204 Wisconsin Ave., N. W., Washington, D. C.

• **Arkansas Western Gas Co.**
May 2 (letter of notification) 28,943 shares of common stock (par $6) to be offered at $10 per share to holders of warrants at the rate of one share for each nine now held. No underwriter. Proceeds for construction. **Office**—28 E. Center Street, Fayetteville, Ark.

Atlas Corp. (5/15-16)
April 26 filed 100,000 shares of common stock and option warrants to purchase a like amount of common stock at $25 per share, without limit as to time. These shares and option warrants are now outstanding and constitute a part of the holdings of George H. Howard. **Underwriters** — Goldman, Sachs & Co. and Lehman Brothers are named as managers. The registration statement also covered 1,924,011 shares of common stock which would be issuable by the corporation if all the outstanding option warrants were exercised. Expected above May 15 or 16.

Baldwin Co., Cincinnati, Ohio
April 19 (letter of notification) 1,001 shares of common capital stock (par $8), to be sold at the market price (estimated to be $17 per share), for the account of a selling stockholder. **Underwriter**—W. D. Gradison & Co., Cincinnati. Placed privately.

Brooklyn Union Gas Co. (5/17)
April 13 filed $8,000,000 of first mortgage bonds due 1980. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and F. S. Moseley & Co. (jointly); Kuhn, Loeb & Co. and Lazard Freres & Co. (jointly); Harriman Ripley & Co., Inc. and First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers. **Proceeds**—To repay bank loans and for construction program. Expected May 17.

Brooklyn Union Gas Co.
April 13 filed 186,341 shares of cumulative convertible preferred stock (par $40), offered initially to common stockholders of record May 5, 1950 at the rate of one preferred share for each four common shares then held; rights to expire May 22. **Underwriters**—Blyth & Co., Inc. and F. S. Moseley & Co. **Price**—$48 per share. **Proceeds**—To repay bank loans and for construction program.

California Electric Power Co. (5/23)
May 1 filed 180,000 shares of common stock (par $1). **Underwriters**—Walston, Hoffman & Goodwin, San Francisco; William R. Staats Co. and Pacific Co. of California, Los Angeles. **Price**—To be filed by amendment. **Proceeds**—For construction. **Offering**—Expected May 23.

• **California Electric Power Co. (6/7)**
May 8 filed $2,000,000 first mortgage bonds due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co.; Kidder, Peabody & Co. **Proceeds**—To finance in part property expenditures for 1950 and 1951. **Bids**—To be opened on June 7.

Canadian Admiral Corp., Ltd. (Canada)
March 30 filed 28,458 shares of $1 par value common stock being offered to shareholders at the rate of one-half share for each share held as of record April 5. **Underwriter**—None. **Price**—$5 per share. **Proceeds**—To purchase plant site, erect and equip plant, and for working capital. Statement effective April 21.

Canam Mining Corp., Ltd., Vancouver, B. C.
Aug. 29 filed 1,000,000 shares of no par value common stock. **Price**—800,000 shares to be offered publicly at 80 cents per share; the remainder are registered as "bonus shares." **Underwriter**—Reported negotiating with new underwriter. **Proceeds**—To develop mineral resources. Statement effective Dec. 9. Indefinite.

Capper Publications, Inc.
March 20 filed $2,000,000 of series 6 five-year first mortgage 4% bonds and $2,000,000 of series 7 10-year first mortgage 5% bonds. **Price**—At par, in denominations of $100, $500 and $1,000. **Underwriter**—None. **Proceeds**—To redeem outstanding bonds and improve facilities. **Office**—Eighth and Jackson Streets, Topeka, Kan. Statement effective May 1.

Cincinnati & Suburban Bell Telephone Co.
May 2 filed 234,856 shares of common stock to be offered stockholders of record May 26 at rate of one share for each three held; rights to expire July 3. **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—For expansion and to reduce bank loans incurred for construction.

Citizens Telephone Co., Decatur, Ind.
April 27 (letter of notification) 3,000 shares of 4½% preferred stock, non-convertible. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For plant additions and conversion to dial operations. **Office**—240 W. Monroe St., Decatur, Ind.

• **Clarostat Manufacturing Co., Inc.**
May 4 (letter of notification) 44,000 shares of common stock (par $1) to be offered to warrant holders at approximately $6 per share. No underwriter. Proceeds for working capital. **Office**—70 Pine St., New York, N. Y.

• **Colorado Fuel & Iron Corp. (5/29-6/2)**
May 8 filed $3,000,000 of first mortgage and collateral trust 15-year sinking fund bonds, due 1964. **Underwriter**—Allen & Co. **Price**—To be filed by amendment. **Proceeds**—General funds, for property additions.

Dallas Power & Light Co.
April 19 (letter of notification) 3,724 shares of common stock (no par) being offered to public stockholders at rate of one-eighth additional share for each common share held as of April 22; rights to expire on May 17. **Price**—$80 per share. **Underwriter**—None. **Proceeds**—For construction.

Dayton Power & Light Co.
April 20 filed 283,333 shares of common stock (par $7) being offered to holders of outstanding common May 10 at the rate of one new share for each seven held; rights to expire May 31. **Underwriter**—Morgan Stanley & Co. and W. E. Hutton & Co., New York. **Price**—$30 per share. **Proceeds**—To repay bank loans and for construction.

(The) Dean Co., Chicago
April 10 (letter of notification) 1,000 shares of common stock. **Price**—At par ($10 per share. **Underwriter**—Boettcher & Co., Denver and Chicago. **Proceeds**—For general corporate purposes. **Offering**—Only to residents of Illinois.

• **Delemar Mining & Recovery Co., Spokane, Wash.**
May 1 (letter of notification) 1,600,000 shares of class A stock and 400,000 shares of class B stock. **Price**—At par (10¢ per share for both classes). No underwriter. Proceeds to set up pilot mill, buy machinery, and operate mill and mine. **Office**—237 E. Sprague Ave., Spokane, Wash.

• **Distributors, Inc., Philadelphia, Pa.**
May 3 (letter of notification) 12,494 shares of capital stock (par $1). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To provide working capital. **Office**—402 W. School House Lane, Phila. 44, Pa.

• **Doman Helicopters, Inc.**
May 3 (letter of notification) 5,000 shares of capital stock at market (about $2 per share). No underwriter. Proceeds to selling stockholder. **Office**—545 Fifth Avenue, New York 17, N. Y.

Dome Exploration (Western) Ltd., Toronto, Canada
Jan. 30 filed $10,000,000 of notes, due 1960, with interest at 1% in the first year, 2% in the second year, and 3% thereafter, and 249,993 shares of capital stock (par $1). To be sold to 17 subscribers (including certain partners of Carl M. Loeb, Rhoades & Co., State Street Investment Corp. and State Street Research & Management Co.) **Underwriter**—None. **Proceeds**—For general funds. **Business**—To develop oil and natural gas properties in Western Canada.

• **Finance & Thrift Co. of Porterville, Calif.**
May 2 (letter of notification) 500 shares of common stock at $150 per share. No underwriter. Proceeds for operating capital.

• **Frontier Industrial Products Corp. (5/12)**
May 4 (letter of notification) 7,500 shares of capital stock to be offered at par ($5 per share), of which 5,000 shares will be offered at once with warrants entitling purchasers to buy one additional share on or before Dec. 31, 1954 for each two shares acquired. **Proceeds**—To lease plant for manufacture and sale of abrasive and grinding materials and tools. **Office**—121 Main Street, Lockport, N. Y.

General Radiant Heater Co., Inc., N. Y. C. (6/1)
May 3 filed 170,000 shares of common stock (par 25¢). **Price**—$3 per share. **Underwriter**—Mercer Hicks Corp., New York. **Proceeds**—For plant and warehouse, advertising research, working capital, etc. Expected about June 1.

Gold Shore Mines, Ltd., Winnipeg, Canada
April 10 filed 500,000 shares of common stock (par $1). **Underwriter**—None. **Price**—$1.50 per share; to increase 25 cents per share for each 100,000 share block. **Offering**—To be made only in New York State for the present. **Proceeds**—For buildings, equipment and working capital.

Grant (W. T.) Co., New York City
April 3 filed 118,935 shares of common stock (par $5). No underwriter. These shares will be sold to employees from time to time under terms of an Employees Stock Purchase Plan to be voted on April 18. **Proceeds**—To be added to general funds for corporate purposes. **Price**—Not less than $22 a share. Statement effective May 1.

Granville Mines Corp., Ltd., British Columbia, Canada
Feb. 16 filed 100,000 shares of common non-assessable stock (par 50c). **Price**—35c per share. **Underwriter**—None. **Proceeds**—To buy mining machinery and for working capital.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 27, 1949, filed 620,000 shares of class A partic. ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment and may include Blair, Rollins & Co., Inc.; John J. Bergen & Co. and A. M. Kidder & Co. on a "best efforts basis." **Price**—Par for common $5 for class A. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

• **Gulf States Utilties Co. (6/5)**
May 3 filed $13,000,000 of 30-year first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers. **Proceeds**—To finance construction program. **Bids**—Expected to be received up to noon (EDT) on June 5.

• **Hart Stores, Inc.**
May 1 (letter of notification) $250,000 of 5% sinking fund debentures due 1962. **Underwriter**—The Ohio Company. **Proceeds**—To retire bank loans and for working capital.

Holiday Brands, Inc., Boston, Mass. (5/17)
April 26 filed 600,000 shares of class A convertible capital stock (par $100). **Underwriters**—Shields & Co., New York, and Clayton Securities Corp., Boston. **Price**—To be filed by amendment. **Proceeds**—To build and equip plant and for working capital. **Business**—To manufacture and sell soluble crystalline coffee. Exported May 17.

• **Horne (Joseph) Co., Pittsburgh, Pa. (5/25)**
May 4 filed 38,462 shares of common stock (no par), of which 32,500 will be offered to public and 5,962 to employees. **Underwriter**—The First Boston Corp. **Price**—To be filed by amendment. **Proceeds**—For general funds. **Business**—Department store.

Household Finance Corp., Chicago (5/16)
April 25 filed 100,000 shares of 4% preferred stock (par $100). **Price**—To be filed by amendment. **Underwriters**—Kidder, Peabody & Co., Lee Higginson Corp. and William Blair & Co. **Proceeds**—For additional working capital.

• **Household Service, Inc., Clinton, N. Y. (5/12)**
May 5 (letter of notification) $7,000 5% sinking fund 10-year series debentures, series C. **Price**—At par. **Proceeds**—Purchase of additional properties. **Underwriter**—Mohawk Valley Incesting Co., Inc., Clinton, N. Y.

● **International Utilities Corp.**
May 5 filed $4,000,000 of convertible debentures, due 1965. **Underwriter**—Butcher & Sherrerd, Philadelphia. **Price**—To be filed by amendment, along with interest rate. **Proceeds**—To pay bank loan and for working capital.

Interstate Power Co. (5/23)
April 19 filed $3,000,000 of first mortgage bonds, due 1980; 275,000 shares of common stock (par $3.50); and 100,000 shares of preferred stock (par $50). **Underwriter**—For bonds and common to be decided by competitive bidding; preferred to be sold publicly or privately through a negotiated sale. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); and Smith, Barney & Co. (for bonds and common); Halsey, Stuart & Co. Inc. and The First Boston Corp. (for bonds); Harriman Ripley & Co. Inc. (for common). Probable underwriting for preferred may include: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; Kidder, Peabody & Co., or Lehman Brothers. **Proceeds**—To pay $2,400,000 of 3% notes and $5,000,000 of first mortgage 4½% bonds, due 1978, and for new construction. Bids are to be invited on bonds and common about May 23.

Iowa Public Service Co. (5/22)
Feb. 21 filed 50,000 shares of cumulative preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: A. C. Allyn & Co.; Harriman Ripley & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kidder, Peabody & Co. and Blyth & Co. (jointly); Equitable Securities Corp.; Lehman Brothers; White, Weld & Co. **Proceeds**—For payment of bank loans and for construction. Expected May 22.

● **Kentucky Chemical Industries, Inc.**
May 2 (letter of notification) 2,000 shares of cumulative preferred stock at par ($100 per share) and 6,000 shares of class B common stock at book value of about $12 per share. No underwriter. Proceeds for working capital. **Office**—Este Avenue, Cincinnati, Ohio.

Kingston Products Corp., Indianapolis, Ind.
April 20 (letter of notification) 11,000 shares of common stock to be offered at the market price for account of two selling stockholders. **Underwriter**—Hemphill, Noyes & Co. **Price**—About $7 and $8 per share. Statement withdrawn.

● **Lamar Pipe & Tile Co., Grand Rapids, Mich.**
May 1 (letter of notification) 9,450 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For working capital. **Address**—Box A, Roosevelt Station, Grand Rapids, Mich.

Maine Public Service Co. (5/16)
April 24 filed 30,000 shares of 5½% cumulative preferred stock ($20 par). **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and seven others. **Price**—To be filed by amendment. **Proceeds**—For construction. Expected May 16.

Mathieson Hydrocarbon Chemical Corp., Baltimore, Md.
May 2 filed 522,667 shares of common stock (par $1), of which 466,667 shares will be offered to common stockholders of Tennessee Gas Transmission Co. at the rate of one share for each 10 held, and the remaining 56,000 shares will be offered to the Trustee of the Thrift Plan of the Tennessee Gas Transmission Co. **Price**—To stockholders will be furnished by amendment: to Thrift Plan Trustee, $10 per share. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co. **Proceeds**—To build, equip and operate a plant. **Business**—Manufacture of ethylene glycol and other organic chemical products.

Middlesex Water Co., Newark, N. J.
Feb. 9 (letter of notification) 5,200 shares of common stock offered to common stockholders of record March 17 at $50 per share on a one-for-five basis. **Underwriter**—Clark, Dodge & Co. **Proceeds**—To pay notes and for additional working capital. Expected this month.

Miller (Walter R.) Co., Inc.
March 6 (letter of notification) 1,000 shares of 6% cumulative preferred stock at par ($100 per share). **Underwriter**—George D. B. Bonbright & Co., Binghamton, N. Y. **Proceeds**—To assist in acquisition of 1216 shares of company's common stock.

● **Monmouth Broadcasting Service, Inc.**
May 3 (letter of notification) 2,000 shares of non-cumulative preferred stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—To erect radio broadcasting station. **Office**—248 Leighton Avenue, Red Bank, N. J.

Muntz TV Inc., Chicago
April 17 filed 400,000 shares of common stock (par $1). **Underwriter**—Kebbon, McCormick & Co., Chicago. **Price**—To be filed by amendment. **Proceeds**—For working capital. **Business**—Distribution of television sets.

● **National Starch Products, Inc., N. Y. City (5/24)**
May 4 filed an unspecified number of shares of common stock (par $1), estimated at 125,000 shares, to be sold by stockholders. **Underwriter**—F. Eberstadt & Co., Inc. **Price**—To be filed by amendment. **Business**—Adhesives and starches.

New England Gas & Electric Association
April 17 filed 173,126 shares of common stock (par $8), being offered to stockholders at rate of new share for each eight shares held on May 5; rights expire May 26. **Dealer Managers**—A. C. Allyn & Co.; Townsend Dabney & Tyson; Wagenseller & Durst; G. H. Walker & Co.; Draper, Sears & Co.; C. L. Putnam & Co.; Smith, Ramsey & Co. **Price**—$13 per share. **Proceeds**—To pay bank loan and for further common stock investments in subsidiaries.

NEW ISSUE CALENDAR

May 11, 1950
Chicago, Rock Island & Pacific RR. noon (CDT) ____ Equip. Trust Ctfs.
Texas & Pacific Ry. noon (EDT) ____ Equip. Trust Ctfs.

May 12, 1950
Frontier Industrial Products Corp. ____ Common
Household Service, Inc. ____ Debentures
Reeves Soundcraft Corp. ____ Common

May 15, 1950
Atlas Corp. ____ Common
Oklahoma Gas & Electric Co. noon (EDT) ____ Bonds
Television & Radar Corp. ____ Common

May 16, 1950
Chicago, Milwaukee, St. Paul & Pacific RR. noon (CDT) ____ Equip. Trust Ctfs.
Household Finance Corp. ____ Preferred
Maine Public Service Co. ____ Preferred
Ohio Edison Co. 11:30 a.m. (EDT) ____ Bonds
Reading Tube Corp. ____ Class B Stk.

May 17, 1950
Brooklyn Union Gas Co. ____ Bonds
Holiday Brands, Inc. ____ Common
Southern California Edison Co. ____ Preferred

May 18, 1950
Pittsburgh & Lake Erie RR. noon (EDT) ____ Equip. Trust Ctfs.

May 22, 1950
Iowa Public Service Co. ____ Preferred
Ludowici-Celadon Co. 11 a.m. (EDT) ____ Common
Philip Morris & Co. Ltd. Inc. ____ Pfd. & Com.

May 23, 1950
California Electric Power Co. ____ Common
Interstate Power Co. ____ Bonds & Com.

May 24, 1950
National Starch Products, Inc. ____ Common
Wabash RR. ____ Equip. Trust Ctfs.

May 25, 1950
Horne (Joseph) Co. ____ Common
Reading Co., noon (EDT) ____ Equip. Trust Ctfs.
Wisconsin Power & Light Co. ____ Common

May 29, 1950
Colorado Fuel & Iron Corp. ____ Bonds
Trav-ler Radio Corp. ____ Common

June 1, 1950
American Cladmetals Co. ____ Common
General Radiant Heater Co., Inc. ____ Common
New York Central RR. ____ Equip. Trust Ctfs.
United Mines of Honduras, Inc. ____ Common

June 5, 1950
Gulf States Utilities Co., noon (EDT) ____ Bonds

June 6, 1950
Rockland Light & Power Co. ____ Preferred
Wisconsin Power & Light Co. ____ Bonds

June 7, 1950
California Electric Power Co. ____ Bonds
Southern California Gas Co. ____ Bonds

June 10, 1950
Dallas Power & Light Co. ____ Bonds

June 13, 1950
Toledo Edison Co., noon (EDT) ____ Common

June 15, 1950
Southern Ry. ____ Bonds

June 19, 1950
Indiana & Michigan Electric Co. ____ Bonds

June 20, 1950
Columbia Gas System, Inc. ____ Debentures

New York State Electric & Gas Corp.
April 6 filed 272,380 shares of common stock (no par) being offered to common stockholders of record April 27 at the rate of one new share for each seven held; rights will expire May 12. **Underwriters**—First Boston Corp.; Lehman Brothers; Wertheim & Co.; and Merrill Lynch, Pierce, Fenner & Beane; all of New York. **Price**—$25.50 per share. **Proceeds**—For construction. Statement effective April 27.

Norlina Oil Development Co., Washington, D. C.
March 28 filed 600 shares of capital stock (no par.) To offer only sufficient shares to raise $1,000,000 at $5,000 per share. No underwriter. Proceeds to be used to explore and develop oil and mineral leases.

North Western Coal & Oil Ltd., Calgary, Ala., Canada
April 6 filed 2,200 basic units of $250 face amount each of production trust certificates, or an aggregate principal amount of $550,000, Canadian funds. **Underwriter**—Israel and Co., New York City. **Price**—$123.75 (U. S. funds) per $250 unit. **Proceeds**—For equipment, working capital and current liabilities.

Northern Natural Gas Co.
April 13 filed 304,500 shares of common stock (par $10), being offered to common stockholders of record May 3 on the basis of one new share for each eight shares held; rights to expire May 22. Unsubscribed shares to be offered to employees of company and its subsidiaries. **Price**—$31.50 per share. **Underwriter**—None. **Proceeds**—Proceeds for property additions and improvements and for payment of bank loans. Statement effective May 4.

● **Northern Natural Gas Co.**
May 9 filed $40,000,000 of serial debentures due 1953-1970. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. **Proceeds**—For expansion and to repay promissory notes. **Offering**—Expected in June.

● **Northwestern Bell Telephone Co.**
May 5 filed $60,000,000 of 34-year debentures, due 1984. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Proceeds**—For redemption on July 14, 1950, at 104.375% of their principal amount, of $60,000,000 31-year 3¼% debentures, due 1979. **Bids**—Expected to be opened in first week of June.

Ohio Edison Co. (5/16)
April 14 filed $58,000,000 of first mortgage bonds, due 1980. **Underwriter**—To be decided by competitive bidding. Probable bidders include: Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; White, Weld & Co. and Glore, Forgan & Co. and Union Securities Corp. (jointly); First Boston Corp. **Proceeds**—To retire outstanding indebtedness of Ohio Public Service Co., which is being merged with Ohio Edison. **Bids**—Expected at 11:30 a.m. (EDT) on May 16. Statement effective May 4.

● **Ohio Oil & Gas Co.**
May 5 (letter of notification) 1,100 shares of common stock now held in treasury. **Price**—50 cents per share. **Underwriter**—None. To be offered through Preston, Watt and Schoyer. **Proceeds**—Toward repayment of bank loans.

● **Oil Producers, Inc., Oklahoma City, Okla.**
May 4 (letter of notification) 59,833 shares of common stock (par 10¢) to be offered to warrant holders at 22½¢ per share. No underwriter. Proceeds for working capital. **Office**—Petroleum Bldg., Oklahoma City, Okla.

Oklahoma Gas & Electric Co. (5/15)
April 17 filed $17,500,000 of first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Halsey, Stuart & Co. Inc.; Lehman Brothers and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; Harriman Ripley & Co. **Proceeds**—For construction, redemption of $7,500,000 outstanding 3¼% first mortgage bonds, and to pay bank loans. **Bids**—To be received May 15 at noon (EDT). Statement effective May 4.

Pacific Cabinet & Radio Co., Van Nuys, Calif.
April 24 filed 168,125 shares of common stock (par 50¢) of which 131,250 will be offered by the company and 16,875 by Max Stettner, President. **Underwriter**—Lester & Co., Los Angeles. **Price**—$3.50 per share. **Proceeds**—To pay indebtedness and for general funds. **Business**—Assembly and sale of TV receivers, radios and radio-phonograph combinations. Company plans change in name to Mercury Television Mfg. Co.

Pacific Refiners, Ltd., Honolulu, Hawaii
March 29 filed $750,000 of 6% 15-year sinking fund debentures, due 1965 and 500,000 shares of common stock (par $1) to be offered in units of $3 principal amount of debentures and two shares of common stock at $5 per unit to common stockholders of record April 14 at the rate of one unit for each share. Unsubscribed securities will be retained by the company and subject to future issuance as may be subsequently determined. No underwriter. Proceeds for construction expenditures. Company refines and markets crude oil. Statement effective May 4.

Pan American Gold Ltd., Toronto, Canada
July 20, 1948 filed 1,983,295 shares of common stock (par $1). Underwriters may be brokers. **Price**—45 cents per share. **Proceeds** — Mainly for development. Statement effective April 10, 1950.

● **Peeling Co., Baltimore, Md.**
April 28 (letter of notification) 19,000 shares of "A" common stock (non-voting) and 10,000 shares of "B" common stock (of which 14,487 and 8,407 are already sold), so that 4,513 shares of class "A" will be sold at $25 per share and 1,593 shares of class "B" will be sold at $2.50 per share. No undewriter. Proceeds to develop a peeling machine. **Office**—238 N. Franklintown Road, Baltimore 23, Md.

● **Peninsular Mortgage Corp., Wilmington, Del.**
May 4 (letter of notification) $230,000 of 5% bonds of $1,000 principal amount each, and $20,000 of 4% bonds of $100 principal amount each. No underwriter. Proceeds to invest in first mortgages. **Office**—1216 King St., Wilmington, Del.

Peninsular Telephone Co., Tampa, Fla.
April 12 (letter of notification) 50,938 shares of common stock (no par) being offered to stockholders of record

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May 2 at rate of one new share for each five held; rights to expire May 16. **Underwriters**—Morgan Stanley & Co.; Coggeshall & Hicks; and G. H. Walker & Co., New York. **Price**—$40 per share. **Proceeds**—For general corporate purposes, including expansion of facilities. Statement effective about May 2.

● **Pennsylvania & Southern Gas Co.**
May 8 (letter of notification) 500 shares of 6½% cumulative preferred stock, series B. **Price**—At par ($100 per share). **Underwriter**—Bioren & Co., Phila., Pa. **Proceeds** to reimburse company for advances to subsidiaries for capital improvements made and to be made, and for working capital.

● **Peoples Gas Light & Coke Co.**
May 8 filed 116,962 shares of capital stock to be offered to stockholders of record June 5, 1950, at the rate of one new share for each seven held. **Underwriter**—None. **Price**—At par ($100 per share). **Proceeds**—To buy additional common stock in Texas Illinois Natural Gas Pipeline Co. and to pay $10,000,000 of bank loans.

Philip Morris & Co., Ltd., Inc. (5/22)
April 28 filed 130,610 shares of cumulative preferred stock (par $100) and 333,077 shares of common stock (par $5) to be offered to common stockholders about May 22, at the rate of one share of common for each six shares now held and one preferred for each 15 common shares presently held; rights are to expire June 5. **Underwriters**—Lehman Brothers and Glore, Forgan & Co. **Price**—To be filed by amendment. **Proceeds**—To reduce bank loans.

Potomac Electric Power Co., Wash., D. C.
April 21 filed 710,700 shares of common stock (par $10), being offered to holders of outstanding common stock of record May 9 at the rate of one new share for each five held; rights to expire May 25. **Underwriter**—Dillon, Read & Co. Inc., heads a syndicate of nine underwriters for unsubscribed shares. **Price**—$14.50 per share. **Proceeds**—To pay bank loans and for construction.

● **Pottstown (Pa.) Small Loan Co., Inc.**
May 8 (letter of notification) $100,000 of 5% debenture bonds due July 1, 1967. **Underwriter**—None. **Price**—At par. **Proceeds**—For working capital. **Office**—213 High Street, Pottstown, Pa.

Power Petroleum Ltd., Toronto Canada
April 25, 1949, filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—S. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27, 1949.

Provident Life Insurance Co., Bismarck, N. D.
April 19 (letter of notification) 12,500 shares of common stock (par $10) being offered directly to stockholders of record April 25 at $20 per share; rights to expire July 1. No underwriter. Proceeds to maintain the proper ratio of capital and surplus to liabilities in connection with entering the accident and health insurance field. **Office**—Broadway at Second, Bismarck, N. D.

● **Reading Tube Corp. (5/16)**
May 9 (letter of notification) 50,000 shares of class B stock (par 10 cents). **Price**—$1.87½ per share. **Underwriter**—Aetna Securities Corp., New York. **Proceeds**—To selling stockholders.

● **Reeves Soundcraft Corp. (5/12)**
May 4 (letter of notification) 225,000 shares of common stock (par 5 cents) and $168,750 on 5% promissory notes to be offered in units of one share of stock and 75 cents principal amount of notes. **Price**—$1 per unit. **Underwriter**—Gearhart, Kinnard & Otis, New York, N. Y. **Purpose**—To pay short-term loans and for working capital.

Reid Brothers, Ltd., San Francisco, Cal.
April 3 (letter of notification) 10,000 shares of preferred stock. **Price** — At par ($10 per share.) **Underwriter**—Denault & Co., San Francisco. **Proceeds**—To restore depleted stocks, buy new items and for additional working capital.

● **Rockland Light & Power Co. (6/6)**
May 5 filed 50,000 shares cumulative preferred stock, series A (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co.; Estabrook & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.; Union Securities Corp.; Salomon Bros. & Hutzler. **Proceeds**—To pay off short-term bank loans of $2,100,000 and for construction. **Bids**—About June 6.

Seneca Oil Co., Oklahoma City, Okla.
April 27 (letter of notification) 225,782 shares of class A stock (par 50¢). **Price**—$1.25 per share. **Underwriter**—Genesee Valley Securities Co., Rochester, N. Y. **Proceeds**—To acquire properties and for working capital.

● **Silver Bell Mines Co., Denver, Colo.**
May 1 (letter of notification) 277,500 shares of 5% cumulative preferred stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For mine development. **Office**—701 United States National Bank Bldg., Denver, Colo.

Sinclair Oil Corp.
Jan. 27 filed 119,700 shares of common stock (no par) to be offered to officers and employees of the company and subsidiaries under a stock purchase plan. These shares are either held in the treasury or will be reacquired. Statement effective May 1.

Southern California Edison Co. (5/17)
April 24 filed 1,000,000 shares of cumulative preferred stock (par $25). **Underwriters**—First Boston Corp. and Harris, Hall & Co. (Inc.). **Price**—To be filed by amendment. **Proceeds**—To pay notes and furnish construction funds. Expected May 17.

Southern California Gas Co. (6/7)
May 2 filed $25,000,000 of 2⅞% first mortgage bonds, due June 1, 1980. **Underwriter**—To be decided by competitive bidding, along with the price. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers; Harris Hall & Co. (Inc.); White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; the First Boston Corp.; Shields & Co.; Kidder, Peabody & Co. **Proceeds**—For construction and to reduce indebtedness owing to Pacific Lighting Corp., parent. Expected June 7.

Southern Fire & Casualty Co., Knoxville, Tenn.
April 17 (letter of notification) 11,000 shares of capital stock (no par). **Price**—$10 per share. **Underwriters**—Strader, Taylor & Co., Lynchburg, Va., and Bullington, Schas & Co., Memphis, Tenn. **Proceeds**—To finance growth and expansion.

Springfield City Water Co., Springfield, Mo.
April 7 (letter of notification) 2,000 shares of Series E 4¼% cumulative preferred stock (par $100). **Price**—$102 per share. **Underwriters**—H. M. Payson & Co., Portland, and The Moody Investment Co., Springfield, Mo. **Proceeds**—To expand properties and pay indebtedness.

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriter** — None. **Proceeds**—Funds will be applied to the purchase of equipment, road construction, exploration and development.

Sun Oil Co., Philadelphia, Pa.
May 1 filed 115,000 shares of common stock (no par) to be issued under the 1950 stock purchase plan to about 11,000 employees of the company and its subsidiaries. No underwriter. Proceeds for general funds.

● **Sweeney (B. K.) Co., Denver, Colo.**
May 5 (letter of notification) 2,500 shares of common stock (par $5). **Price**—$24 per share. **Underwriter**—Peters, Writer & Christensen, Inc., Denver. **Proceeds**—To buy land and buildings.

● **Television & Radar Corp., Long Island City, New York (5/15)**
May 4 (letter of notification) 747,500 shares of common stock (par 1 cent). **Price**—40 cents per share. **Underwriter**—Tellier & Co. **Proceeds**—To pay RFC loan of $45,000 and other debt and for working capital.

● **Teller Mining Co., Inc., Seattle, Wash.**
May 2 (letter of notification) 150,000 shares of common stock at 50¢ per share. No underwriter. Proceeds for development and drilling. **Office**—609 Colman Bldg., Seattle 4, Wash.

Texas Electric Service Co.
April 6 filed 175,000 shares of preferred stock (no par) of which 65,000 ($4.56 series) are offered in exchange for a like number of outstanding $6 preferred shares on a share-for-share basis up to and including May 26; Unexchanged $4.56 stock will be publicly offered at $110 per share. The remaining 110,000 shares ($4 series) will be sold publicly (latter offered on April 27 at $100 per share and dividend). **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—For construction. Statement effective April 26.

Texas Power & Light Co.
April 6 filed 203,786 shares of preferred stock (no par) of which 133,786 shares ($4.56 series) are offered to holders of outstanding 7% and $6 preferred stocks in exchange for their shares on a share-for-share basis, plus a dividend adjustment on all exchanges and a $5 per share payment on all 7% shares exchanged. Unexchanged shares and remaining 70,000 shares ($4 series) will be sold publicly (latter publicly offered on April 25 at $100 per share and dividend). Exchange offer will continue from April 26 to May 17. **Underwriters**—Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. **Price**—For $4.56 series to public $110 per share. **Proceeds**—To pay off loans from Texas Utilities Co., parent, for construction. Statement effective April 24.

Toledo Edison Co. (6/13)
April 18 filed 4,102,000 shares of common stock (par $5), of which 400,000 will be sold by the company and the remainder is being offered by The Cities Service Co. to its own common stockholders at $9 per share at the rate of one Toledo share for each Cities Service share held May 4 with rights to expire May 29. **Underwriter**—The company's offering will be made under competitive bidding; no underwriter is named for the Cities Service offering. Probable bidders: Blyth & Co., Inc.; W. C. Langley & Co.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Smith Barney & Co. **Price**—For 400,000 shares to be filed by amendment. **Proceeds**—To be applied toward construction. **Bids**—Expected June 13 at noon (EDT). Statement effective May 9.

● **Trad Television Corp.**
May 8 (letter of notification) 46,000 shares of common stock (par 1 cent). **Price**—At market (approximately 65 cents per share). **Underwriter**—Tellier & Co. **Proceeds**—To two selling stockholders.

● **Transgulf Corp., Houston, Tex.**
April 18 (letter of notification) $400,000 sinking fund participating notes. Indenture provides that a minimum of $12,500 will be deposited quarterly with trustee for distribution as interest and principal, with accelerated payments under certain conditions. **Underwriters**—Gearhart, Kinnard & Otis. **Offering**—Made May 5 in units of $500 of notes at $375 each unit. **Proceeds**—To repay bank loans, for new equipment and drilling expenses and for general corporate purposes. Offered May 9.

Trav-ler Radio Corp., Chicago (5/29-6/2)
April 28 filed 315,000 shares of common stock (par $1) of which 240,000 will be sold by three officials of the company and 75,000 shares by the company. **Underwriters**—Straus & Blosser, Chicago. **Price**—$6.25 per share. **Proceeds**—To pay indebtedness, lend funds for expansion to a subsidiary, and to equip a new addition. Expected week of May 29.

United Mines of Honduras, Inc. (6/1)
March 16 (letter of notification) 200,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York City. **Proceeds**—To reopen an antimony mine which produced antimony for the U. S. Metals Reserves Corp. during the war and to explore and develop the Montecilo mining properties on which company has options; to pay loans and for working capital. **Office**—North American Building, Wilmington, Del. Expected June 1.

Videograph Corp., N. Y. City
Feb. 2 (letter of notification) 300,000 shares of common stock (par 10c). **Price**—$1 per share. **Underwriter**—George J. Martin Co., New York. **Proceeds**—For additional working capital. **Business**—Assembles a coin operated combination television and phonograph. **Office**—701—7th Avenue, New York, N. Y. Probably withdrawn.

● **Waddell-Duncan Co., Phoenix, Ariz.**
May 3 (letter of notification) $100,000 of oil and gas lease assignments to be sold at $20 per acre in units of 40 acres, or $800 per unit. No underwriter. Proceeds for exploratory drilling. **Office**—Valley National Bank Bldg., Phoenix, Ariz.

● **Washington Gas Light Co.**
May 8 filed 30,600 shares of $4.25 cumulative preferred stock (no par) to be offered to common stockholders at the rate of one preferred share for each 20 common shares held. **Underwriter**—Johnston, Lemon & Co., Washington, D. C., and eight others. **Price**—To be filed by amendment. **Proceeds**—For corporate purposes, including construction.

● **Western Oil Fields, Inc., Denver, Colo.**
May 5 (letter of notification) 600,000 shares of common stock and a $50,000 note carrying interest at 4% payable from percentage of oil sold. This note will carry with it as a bonus 500,000 shares of stock. **Price**—Of stock, 25¢ per share. **Underwriter**—John G. Perry & Co., Denver. **Proceeds**—To drill for oil in Wyoming and for working capital.

Western Uranium Cobalt Mines, Ltd., Vancouver, B. C., Canada
Feb. 28 filed 800,000 shares of common capital stock (par $1). **Price**—35 cents per share. **Underwriter**—None. **Proceeds**—Exploration and development work.

● **Wisconsin Electric Power Co.**
May 5 filed $15,000,000 of first mortgage bonds, due 1980, and 585 405 shares of common stock (par $10), the latter to be sold to holders of the outstanding 2,927,021 common shares at the rate of one new share for five now held. **Price** of stock to be filed by amendment. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Equitable Securities Corp. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; First Boston Corp.; Union Securities Corp. and Harriman Ripley & Co., Inc. **Proceeds**—$10,850,000 for partial payment for electric properties to be acquired from a subsidiary, Wisconsin Gas & Electric Co., and the balance for capital improvements. Expected early in June.

● **Wisconsin Gas & Electric Co. (name being changed to Wisconsin Natural Gas Co.)**
May 5 filed $3,500,000 of first mortgage bonds, due 1975. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Lehman Brothers; Equitable Securities Corp.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For redemption on or about July 10, 1950, of the 33,425 outstanding shares of 4½% preferred stock at $105 per share plus accrued dividends.

● **Wisconsin Power & Light Co. (5/25)**
May 8 filed 320,231 shares of common stock (par $10) to be offered for subscription by stockholders at the rate of one new share for each five held on May 24. **Price**—To be filed by amendment. **Proceeds**—To finance construction program. **Underwriter**—Smith, Barney & Co. and Robert W. Baird & Co., Inc.

● **Wisconsin Power & Light Co. (6/6)**
May 8 filed $8,000,000 of first mortgage bonds, series D, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Lehman Brothers; Glore, Forgan & Co.; Harriman Ripley & Co. and Harris, Hall & Co. (Inc.) (jointly); White, Wheld & Co. and Kidder, Peabody & Co. (jointly). **Proceeds**—To repay bank loans and for construction. **Bids**—Expected to be opened June 6.

Prospective Offerings

American Natural Gas Co.
April 26, William G. Woolfolk, Chairman, announced that company expects to make another offering of its common stock during the current year, probably this summer. It may involve 304,485 shares to common stockholders on a 1-for-10 basis. Probable bidders: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers; The First Boston Corp. **Proceeds**—To increase investments in stock of

Michigan Consolidated Gas Co. and Milwaukee Gas Light Co.

Arkansas Power & Light Co.
Feb. 8 reported company expects to market $6,000,000 of mortgage bonds in August or September, the proceeds to be used for construction. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Central Republic Co. (jointly); White, Weld & Co.; First Boston Corp. and W. C. Langley & Co. (jointly); Lehman Brothers; Union Securities Corp.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

Arkansas Power & Light Co.
May 3 announced company plans to sell $15,500,000 of preferred stock (in addition to $6,000,000 bonds referred to above). The proceeds would be used to retire outstanding $7 and $6 preferred stocks at $110 per share and to finance expansion. Probable bidders—First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp. and White, Weld & Co. (jointly); Union Securities Corp.; First Boston Corp. Expected around mid-July.

Associated Telephone Co.
April 21 company reported planning early registration of 175,000 shares of preferred stock, the proceeds to finance construction costs. Traditional underwriters: Stone & Webster Securities Corp.; Paine, Webber, Jackson & Curtis; Mitchum, Tully & Co.

Bangor & Aroostook RR.
April 18 ICC approved debt rearrangement plan which provides that outstanding $16,665,000 consolidated refunding mortgage 4% bonds due July 1, 1951 be extended to 1976 and redesignated as first mortgage (convertible) 4½% bonds. The plan will become effective if accepted by 75% of the 4% bonds.

● **Boise Water Corp.**
April 28 it was announced that company planned to offer publicly 3,000 additional shares of its 5% preferred stock (par $100), the proceeds (together with other funds) to be used in connection with acquisition of water properties from California Oregon Power Co.

Celanese Corp. of America
April 12 the stockholders voted to authorize the creation of 1,000,000 shares of a new preferred stock (par $100), 505,000 shares of which can be issued at any time. Plans are being formulated for the issuance this year, if market conditions are considered satisfactory, of an initial series of this new preferred stock which may be convertible into common stock. Net proceeds would be used in part for expansion of the business, including additional production facilities. Probable underwriters: Dillon, Read & Co. Inc.; Morgan Stanley & Co.

Chicago, Milwaukee, St. Paul & Pacific RR. (5/16)
Bids will be received at the company's office, Room 744, Union Station Bldg., Chicago, Ill., until noon (CDT) on May 16 for the purchase from it of $4,650,000 equipment trust certificates, series LL, to be dated June 1, 1950 and to mature $155,000 semi-annually from Dec. 1, 1950 to and including June 1, 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Salomon Bros. & Hutzler.

Chicago, Rock Island & Pacific RR. (5/11)
Bids will be received up to noon (CDT) on May 11 at company's office, Room 1136, La Salle Street Station, Chicago for the purchase of $3,630,000 equipment trust certificates, series G, dated June 1, 1950, to mature in 30 equal semi-annual instalments from Dec. 1, 1950 to June 1, 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Lee Higginson Corp.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

Citizens Utilities Co.
April 25 company announced it plans to sell additional mortgage bonds. Traditional underwriter: Lee Higginson Corp. Proceeds are to fund bank loans ($1,200,000 at Feb. 28, 1950).

Columbia Gas System, Inc.
April 27 stockholders voted to reclassify the 500,000 shares of unissued common stock (no par) into 500,000 shares of unissued preferred stock (par $50). They also approved a proposal to amend the company's charter so as to permit the public sale of common stock without first making an offering of the shares to its own common stockholders. The company's program currently calls for the sale of $10,000,000 of additional common or preferred stock, the proceeds to be used to pay for construction costs. **Underwriters** — May be named by competitive bidding. Probable bidders: Blyth & Co., Inc.; Shields & Co. and R. W. Pressprich & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers, Goldman, Sachs & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co.

● **Columbia Gas System, Inc. (6/20)**
May 4 the directors authorized the sale of $110,000,000 of 25-year debentures at competitive bidding, subject to the approval of the SEC. **Underwriters**—Under present plans competitive bidding for the issue is expected to be held about June 20, 1950. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Morgan Stanley & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—Stuart M. Crocker, President, said $92,500,000 of the proceeds would be used to retire $14,000,000 of 1⅞% serial debentures and $77,500,000 of 3⅛% debentures due in 1971. The balance of $17,500,000 will be available for the System's construction program. It is presently estimated that the System's total new money requirements for 1950 will be $26,500,000. Accordingly, after the sale of this issue of debentures, there will remain approximately $9,000,000 to be provided by some form of financing later in the year.

Commercial Credit Co.
March 30 stockholders approved creation of 500,000 shares of cumulative preferred stock (par $100) of which company plans to sell 250,000 shares. A group of underwriters, headed by Kidder, Peabody & Co. and The First Boston Corp., are expected to offer the stock.

Dallas Power & Light Co. (6/10)
May 3 company reported planning sale, probably in June, of $24,500,000 first mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers; First Boston Corp.; Union Securities Corp.; Kidder, Peabody & Co., Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly). Proceeds to refund $16,000,000 3½% first mortgage bonds and to finance expansion.

Dayton Power & Light Co.
April 20, it was revealed that company plans to sell 75,000 shares of preferred stock (par $100) to finance construction, if favorable market conditions prevail. **Underwriters**—Morgan Stanley & Co.; W. E. Hutton & Co. Expected in June.

Gatineau Power Co.
May 2, Bartholomew A. Brickley, trustee of International Hydro-Electric System, announced that he has selected Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., and Harriman Ripley & Co., Inc., as the syndicate for negotiations in connection with the proposed disposition of shares of Gatineau Power Co. stock owned by International in accordance with part two of the trustees second plan. It is expected that at least $5,000,000 of Gatineau stock will be disposed of.

● **General Public Utilities Corp.**
May 1, A. F. Tegen, President, announced that the company expects to raise $6,500,000 new capital in 1950, possibly through an offering of common stock to common stockholders, either late this year or early in 1951. The net proceeds would go toward financing the construction program which this year is expected to cost about $57,450,000.

● **Indiana & Michigan Electric Co. (6/19)**
April 28 it was announced that this company plans to sell at competitive bidding $20,000,000 of 30-year first mortgage bonds due 1980. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co. Inc. Bids are expected to be received on June 19. Proceeds would be for expansion program.

Iowa Electric Co.
March 10 reported that early registration with SEC is expected of an offering of about $18,000,000 preferred and common stocks through a negotiated deal. Probable underwriters: First Boston Corp. and G. H. Walker & Co.

Kansas City Power & Light Co.
April 27, H. B. Minsell, President, disclosed that stockholders in June will consider a proposal to increase the debt limit. If increase is approved, company plans to sell $15,000,000 of first mortgage bonds through competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); White, Weld & Co.; Shields & Co. and Central Republic Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp.; Equitable Securities Corp.; Smith, Barney & Co.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Harriman Ripley & Co. Proceeds would be used to finance in part company's $43,000,000 construction program to be completed by 1952.

Lorillard (P.) Co.
April 4, Herbert A. Kent, President, said: "It may be necessary to do some financing" before Aug. 1, 1951 to redeem $6,195,450 of 5% bonds due on that date and for additional working capital to meet expanded sales volume. He added that company plans to pay off its bank loans in full by July, 1950. These loans now amount to $12,000,000. Traditional underwriters: Lehman Bros. and Smith, Barney & Co.

Louisiana Power & Light Co.
May 3 it was announced company plans to issue and sell $9,000,000 of preferred stock, the proceeds to retire approximately $6,000,000 of $6 preferred stock outstanding at $110 per share and the balance to pay for expansion program. Probable bidders: W. C. Langley & Co. and First Boston Corp. (jointly); Blyth & Co., Inc.; Equitable Securities Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Union Securities Corp. Expected late in June.

● **Ludowici-Celadon Co., Chicago, Ill. (5/22)**
Bids will be received up to 11 a.m. (EDT) on May 22 by the Attorney General at the Office of Alien Property, 120 Broadway, New York, N. Y., for the sale, as an entirety, of 1,812 shares of common stock (par $50), which represents about 7% of the 26,000 shares now issued and outstanding. Company manufactures roofing tile and tile slabs.

Maine Public Service Co.
April 10 it was announced company plans to issue $1,000,000 mortgage bonds (in addition to 30,000 shares of 5½% preferred stock filed April 24 with SEC), the proceeds to be used for expansion.

Metropolitan Edison Co.
Feb. 9 company informed SEC it intends (in addition to current financing) to sell in September, 1950, $4,000,000 bonds and $2,000,000 preferred stock. Probable bidders on bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Drexel & Co.; Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co.; Lehman Brothers. On preferred stock: Smith, Barney & Co. and Goldman, Sachs & Co. (jointly); Drexel & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.

● **Michigan Consolidated Gas Co.**
May 1 it was reported that this company expects to be in the market with new debt financing later this year.

● **Michigan-Wisconsin Pipe Line Co.**
May 1 reported to be considering the issuance of bonds or debentures later this year.

Milwaukee Gas Light Co.
April 18 reported contemplating issuance of additional securities, the proceeds of which will be used to finance $13,000,000 of first 4½s due 1967 and $2,000,000 of 7% preferred stock, to fund some $8,500,000 of bank loans, and for new construction. No definite plan has been evolved. Probable bidders—Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Glore, Forgan & Co., and Lehman Brothers (jointly); Kidder, Peabody & Co.; Harriman Ripley & Co.; Smith, Barney & Co., Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly).

Mississippi Power & Light Co.
May 3 it was announced that company plans to issue and sell $8,500,000 of preferred stock, the proceeds to be used to retire outstanding $6 preferred stock at $110 per share and the balance for construction costs. Probable bidders: W. C. Langley & Co. and First Boston Corp. (jointly); Blyth & Co., Inc.; White, Weld & Co. and Kidder, Peabody & Co. Equitable Securities Corp. and Shields & Co. (jointly); Lehman Brothers; Union Securities Corp. Expected late in June. This financing is in addition to proposed issuance of $7,500,000 mortgage bonds (see below).

Mississippi Power & Light Co.
Feb. 6 reported company may be in the market with $7,500,000 mortgage bonds, the proceeds to be used to finance construction. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley and First Boston Corp. (jointly); Union Securities Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly). Expected late in June.

Mountain States Power Co.
April 24 it was announced that company plans permanent financing before October to refund bank loans expected to amount to $1,250,000 by July 3. Probable underwriter: Merrill Lynch, Pierce, Fenner & Beane.

Natalie Kalmus Television Corp.
April 19 reported planning offering of 400,000 shares of common stock at $1 per share.

National Fireproofing Corp.
April 6 debentures and common stockholders approved a plan to refinance the $2,636,900 5% income debentures due May 1, 1952, together with interest thereon amounting to $635,790, and provide additional working capital, by issuance of evidence of indebtedness not to exceed $3,500,000. Probable underwriters: Kneeland & Co.; Glover & MacGregor.

New England Power Co.
April 24 it was estimated that about $37,000,000 new financing will be required to pay construction costs estimated at $40,000,000 for 1950 to 1952. Present plans are to issue in late summer or early fall $10,000,000 bonds and 50,000 shares of preferred stock. Probable bidders: (1) For bonds—Halsey, Stuart & Co., Inc.; Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and White, Weld & Co (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Otis & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Carl M. Loeb, Rhoades & Co.; F. S. Moseley & Co.; Equitable Securities Corp.; (2) for preferred:—W. C. Langley & Co.

New England Public Service Co.
April 7 SEC authorized company to file an application to sell 200,000 shares of Public Service Co. of New Hampshire common stock or a sufficient number of shares of Central Maine Power Co. common stock to raise approximately the same amount of money. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; First Boston Corp.; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); The proceeds will be used to pay bank loans.

New York Central RR. (6/1)
Feb. 7 reported that offering of $11,100,000 equipment trust certificates is expected early in June. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly).

● **New York State Electric & Gas Corp.**
April 27 it was announced that this company plans to sell later this year or early next year serial preferred stock or debt securities or a combination of them. The exact method of financing has not been determined. The company will require approximately $30,000,000 new money to complete its construction program through 1952.

Northwestern Bell Telephone Co.
April 17 announced company is preparing to sell $60,000,000 of new debentures at competitive bidding during the first week of June. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Proceeds**—To be applied toward redemption of $75,000,000 3¼% debentures due 1979. **Registration**—Expected early this month.

Pacific Petroleum, Ltd. (Canada)
April 12 company announced it plans to file with SEC 1,000,000 additional shares of common stock shortly.

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Proceeds (U. S. currency) will be used for further expansion and development work in the Alberta oil field. **Underwriter**—Eastman, Dillon & Co.

● Pennsylvania Co.
May 4 it was reported that the company may issue $16,000,000 of collateral trust sinking fund bonds in connection with the acquisition from Pennroad Corp. of Detroit, Toledo & Ironton RR. If sold under competitive bidding, probable bidders are: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); First Boston Corp.

Pennsylvania Power & Light Co.
April 17 the stockholders voted to authorize 100,000 additional shares of series prefgerred stock and 12,000 additional shares of 4½% preferred stock. Latter issue is to be offered in exchange, share for share, for present outstanding 4½% preferred stock. It is expected not over 75,000 shares of series preferred stock will be sold in late 1950 or early 1951. **Traditional Underwriters**—First Boston Corp.; Drexel & Co. **Proceeds**—To finance balance of 1950 construction program.

● Philadelphia Electric Co.
May 5 it was said that there will be additional financing later this year, with probably some common stock to be underwritten by Drexel & Co. Bond financing would be competitive, and preferred stock would be either negotiated or competitive.

● Pittsburgh & Lake Erie RR. (5/18)
Bids will be received by the company at 466 Lexington Ave., New York, N. Y., until noon (EDT) on May 18 for the purchase from it of $10,000,000 equipment trust certificates to be dated June 1, 1950, and to mature $1,000,000 each June 1 from 1951 to and including 1960. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. Inc.; Lehman Brothers.

Public Service Co. of Colorado
May 22 stockholders will vote on increasing authorized preferred stock (par $100) from 300,000 shares to 375,000 shares; the additional 75,000 shares, in addition to $7,500,000 debentures are expected to be sold about mid-year. Probable bidders: (1) for preferred: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); First Boston Corp., Boettcher & Co. and Bosworth, Sullivan & Co. (jointly); Lehman Brothers; (2) for debentures: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Smith, Barney & Co. (jointly); First Boston Corp.; Kidder, Peabody & Co.; (3) for both issues: Lehman Brothers; Harris, Hall & Co. (Inc.). Proceeds are to finance expansion.

Public Service Electric & Gas Co.
April 17 stockholders approved the issuance of $90,000,000 new bonds for the purpose of refunding $50,000,000 3⅛% bonds due 1965; $10,000,000 3¼% bonds due 1968; $15,000,000 3% bonds due 1970 and $15,000,000 bonds due 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); First Boston Corp.

● Reading Co. (5/25)
Bids will be received at the company's office at Room 423, Reading Terminal, Philadelphia 1, Pa., up to noon (EDT) on May 25 for the purchase from it of $5,430,000 equipment trust certificates, series S, to be dated June 15, 1950, and to mature in semi-annual instalments of $181,000 each on Dec. 15, 1950, and on June 15 and Dec. 15 in each year thereafter to and including June 15, 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Lee Higginson Corp.; Harriman Ripley & Co., Inc., and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.).

Rochester Telephone Corp.
April 19 stockholders approved issuance of 300,000 additional shares of common stock (par $10). No immediate financing planned. Traditional underwriter: The First Boston Corp.

● Schering Corp.
May 4, it was announced that the company's entire common stock issue (440,000 shares) was expected to be registered with the SEC in the near future and offered for sale to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company to be formed by United States & International Securities Corp.; Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

Southern Ry. Co. (6/15)
May 2 it was announced company is planning to refund $10,000,000 of its $12,474,000 St. Louis Division first mortgage 4% bonds, due Jan. 1, 1951, by issuing a like amount of new first mortgage bonds. The remaining $2,474,000 of St. Louis Division bonds would be retired from treasury funds. Invitations to bid for the new bonds are expected to be sent out about May 29, calling for bids to be expected June 15. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.; Union Securities Corp. and Drexel & Co. (jointly).

● Sunray Oil Corp.
May 10, it was announced that subject to approval of stockholders on June 19 a total of 750,000 shares of common stock will be publicly offered at approximately the market by an underwriting group headed by Eastman, Dillon & Co. These will be in addition to 2,700,000 shares of new convertible preferred stock (par $20) to be issued in exchange for 900,000 shares of common stock of Barnsdall Oil Co. common stock in the hands of the public. In addition, 800,781 Barnsdall common shares are owned by Sunray.

Tampa Electric Co.
April 25 it was announced company plans to raise $4,700,000 in new money through sale of additional securities, the proceeds to finance in part 1950 construction expenditures.

● Texas Eastern Transmission Corp.
May 5 company applied to FPC for permission to build a new 791-mile pipe line to supply New England and the Appalachian and Seaboard areas, estimated to cost $117,800,000. This new project will be financed through the sale of bonds and other securities.

● Texas Illinois Natural Gas Pipeline Co.
May 8 it was announced that this company's financing program contemplates the sale of $90,000,000 of bonds and $12,000,000 of interim notes in addition to the sale of 1,750,000 shares of common stock. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; and (2) for interim notes—White, Weld & Co. and Glore, Forgan & Co.

● Texas & Pacific Ry. (5/11)
Bids will be received by the company at 233 Broadway, New York, N. Y., until noon (EDT) on May 11 for the purchase from it of $2,400,000 equipment trust certificates, series H, to be dated June 1, 1950, and to mature $240,000 each June 1 from 1951 to 1960, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Harris, Hall & Co. (Inc.); Blair & Co., Inc.; L. F. Rothschild & Co. and Schoellkopf, Hutton & Pomeroy, Inc. (jointly); Bankers Trust Co., New York.

● Toledo Edison Co.
May 9 it was announced that the company plans to issue and sell $7,500,000 additional first mortgage bonds in December, 1950, and probably additional common stock sometime during 1951, the proceeds to be used to complete expansion program. This is in addition to proposed issuance of 400,000 common shares, bids for which are expected around June 13. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Kidder, Peabody & Co., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); First Boston Corp. and Glore, Forgan & Co. (jointly); Lehman Brothers, Harriman Ripley & Co., Inc., Bear, Stearns & Co. and Carl M. Loeb, Rhoades & Co. (jointly); Smtih, Barney & Co.; Union Securities Corp.

Wabash RR. (5/24)
April 25 it was stated that the company plans issuance of $5,220,000 equipment trust certificates to mature over a 15-year period. Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; Lehman Brothers and Schoellkopf, Hutton & Pomeroy, Inc. (jointly); Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.). **Bids**—Expected to be received May 24.

Wisconsin Power & Light Co.
April 25 it was announced company has applied to Wisconsin P. S. Commission for authority to issue and sell $8,000,000 of 30-year first mortgage bonds at competitive bidding, $3,900,000 of preferred stock (par $100) and $3,202,310 of additional common stock. A registration statement covering the bonds and common stock was filed on May 8.

Worcester County Electric Co.
April 25 company reported planning issuance of $10,000,000 first mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill, Lynch, Pierce, Fenner & Beane.

Our Reporter's Report

Traders in Westinghouse Electric Corp.'s 2.65% debentures, due 1973, but subject to call, experienced some anxious moments this week.

The corporation announced, a fortnight ago, that it would call half of the $80,000,000 outstanding for redemption at 104 and accrued interest on July 1 next.

Accordingly, this meant that once the numbers of the drawn bonds were published, there would be two distinct classes of the debentures trading, one the regular way and the other subject to the call. The latter would not be a good delivery.

Under the "three-day" delivery rule this presented something of a dilemma for bond traders, since if they sold in the regular way, for delivery three days later, they might find themselves technically "short" of the debentures should their numbers be among those drawn for call.

Under the three-day rule debentures sold on Monday would be deliverable on Thursday. On Tuesday word got around, which proved to be well-founded, though not official, that the company would publish the numbers of the "called" bonds on Wednesday.

This created quite a bit of confusion and caused a delay in opening trading on Tuesday, although thereafter a fairly active interest was shown with quite a smattering of "cash" sales by those who desired to play it safe.

Thinking in Similar Terms

Underwriting bankers once more appear to be giving a little more consideration to what the ultimate investors calculate as a proper yield basis for new bond issues.

At any rate with seven separate bids entered for Potomac Electric Power Co.'s $30,000,000 of new first mortgage bonds, only about five-eighths of a point separated the highest from the lowest.

The winning group paid the company 100.8025 for a 2¾% coupon while the low-range bid was 100.1399 for the same rate. The successful group repriced the bonds for offering at 101.127 to yield about 2.70%. And even at that level demand was a bit on the sluggish side.

Reserve and Treasury

People whose business is distributing new securities are still of the opinion that the Federal Reserve Bank and the Treasury should get together and make up their minds just what they are seeking in the government market.

The latter has been doing better this week with indications that momentarily, at any rate, pressure from Reserve sources has been eased.

But bond men ask, how long will it last, and what will the direction of the next turn be? They naturally find it difficult to interpret the gyrations of the Treasury market in recent months. Certainly, they say, it doesn't make marketing new issues any easier.

New Issue Backlog

Among those who should have a pretty good idea as to actual conditions, consensus is that recent estimates on unsold corporates in syndicate and dealers' hands is too low.

This element feels that the balance of new issues backed up and waiting sale probably runs close to the $70,000,000 mark. They cite the sluggishness which has marked such recent issues as those of Public Service Electric & Gas Corp., Detroit Edison, American Gas & Electric and now the Potomac Electrics.

Institutional buyers, who are the major outlet for issues of this type, quite naturally are in no hurry to take up new issues while the Treasury market is kept in its prevailing state of flux with principal emphasis on the side of the decline.

Next Big Undertaking

Northwestern Bell Telephone Co. has set the first week in June for the opening of bids on its projected $60,000,000 of new 34-year debentures.

This is a refinancing operation and proceeds will be applied to redemption of 31-year 3¼s, due 1979.

Already approved for sale by the Nebraska State Railway Commission, the debentures since have been placed in registration with the Securities and Exchange Commission.

Brooklyn Union Gas Stk. Underwritten by Blyth-Moseley Group

The Brooklyn Union Gas Co. is offering to the holders of its common stock rights to subscribe for 186,341 shares of $40 par 5% cumulative preferred stock (convertible through June 30, 1960) at the rate of one share of preferred for each four shares of common stock held of record at the close of business on May 5, 1950, at $48 per share. Rights will expire at 3 p.m. (EDT) on May 22, 1950.

The offering has been underwritten by a group of underwriters headed by Blyth & Co., Inc. and F. S. Moseley & Co.

Concurrently with its offering, the company has invited proposals for the purchase of $8,000,000 of its first mortgage bonds, series due 1980. It is expected that proposals will be received on or about May 17, 1950.

The net proceeds from the sale of the preferred stock will be applied toward the payment and discharge of the outstanding short-term bank loans, made in 1949 to discharge previous bank loans made for construction purposes with banks.

The 5% preferred stock may be redeemed on or prior to June 30, 1954, at $49.40 per share; thereafter and on or prior to June 30, 1957, at $48.95 per share; thereafter and on or prior to June 30, 1960 at $48.45 per share, and thereafter at $48 per share.

Halsey, Stuart Offers Cent. Vt. P. S. Bonds

Halsey, Stuart & Co. Inc. on May 5 publicly offered $2,000,000 first mortgage 2⅞% bonds, series F, due 1980, of Central Vermont Public Service Corp. at 102.54% and accrued interest. The award of the bonds was won by Halsey, Stuart & Co. Inc. at competitive sale on May 3 on its bid of 101.93%.

Of the proceeds from the sale of the bonds, $700,000 will initially be deposited with the trustee and will be withdrawn from time to time in connection with the company's current program of additions, replacements and improvements to its physical plant. The balance of the proceeds together with proceeds from the sale of $800,000 of new 4.75% preferred stock will be applied first to payment of the company's outstanding bank borrowings and the remainder will be used for other corporate purposes, including additions to and betterments of physical properties.

Regular redemptions may be made at prices ranging from 105.54% to 100%. Special redemption prices run from 102.49% to 100%.

Continued from page 13

Economic Impact of Industrial Pensions

competitive with long-term corporate bonds.

Taking into account the prospective increase in insured and trusteed pension plans, therefore, the outlook for the balance of this year and the early months of 1951 can be summarized in these terms: The supply of funds available for investment in the hands of institutional investors and trusteed pension funds will be somewhat larger than a year ago. With new corporate issues, urban real estate mortgages, and state and local financing showing about the same increase in aggregate volume, we can perhaps conclude that the rate of liquidation of institutional holdings of U. S. Government securities will be smaller than it was last year and, of course, only a fraction of the 1948 rate of liquidation.

In this rough balance between the supply of funds in the hands of institutional investors and the demand for new capital for public and private projects, we should observe the very great importance of urban real estate mortgages. During 1949 an amount equivalent to two-thirds of the increase in invested assets of life insurance companies, savings and loan associations, and mutual savings banks found an outlet in the net increase in the mortgage portfolios of these institutions. We know that the amount of urban mortgage debt has practically doubled since the end of 1945, and it seems to me that we can be reasonably confident that this rate of real estate credit expansion will not be continued indefinitely. Last year the increase in mortgage debt was probably in the neighborhood of $7 billion, of which $4.3 billion was represented by the increase in home mortgages. It is not difficult to visualize a year in the near future when the net increase in mortgage debt would amount to only one-half of this figure or less. A real problem could be created, since the flow of funds into savings institutions is likely to be better maintained over a period of years than the volume of new mortgage loans available.

In looking at the longer range prospects for the capital markets, therefore, the principal question appears to be what will take the place of part of the volume of mortgage lending after the next few years. It seems to me that there are three major possibilities. In the first place, there are likely to be large amounts of the obligations of service-fee-supported public authorities and revenue projects, along with public housing authorities and perhaps new kinds of government corporations. Even though the tax exemption feature does not attract savings institutions, they can continue to be substantial investors in such public enterprises.

A second very reliable outlet for funds is, of course, financing the Federal Government's deficit or refunding portions of the present short-term debt. We should, I think, respect very highly the ability of the Federal Reserve System and the Treasury to supply long-term bonds if any dearth of investment outlets should threaten to appear. This would, of course, involve a very important reduction in rate of return as compared with mortgage and real estate investments, and would aggravate some of the already serious consequences of easy money policies.

A third possibility is, of course, preferred and common stocks. These media of investment have been receiving more favorable consideration during recent years, primarily because of the higher rate of return compared with that provided by bond investments. It may prove that this problem of earning a reasonable return will be decisive factor in channeling more institutional savings into preferred and common stocks. This matter of income, rather than hopes for substantial appreciation, has been the principal motive for expanded purchases in trusteed pension plans, and it formed the principal basis for the changes in the New York laws governing the investment of personal trusts and estates restricted to legal securities. Ultimately it could provide the stimulus for solving the valuation and other problems which exist for life insurance companies in acquiring more equity investments.

Perhaps a reasonable conclusion is that the gap created by a declining volume of real estate mortgages will be filled by a combination of public securities, including U. S. Treasury obligations, and equities. The combined rate of return would not be out of line with required investment earnings. Except in trusteed pension plans, where investment policies can be quite flexible, however, real problems exist in opening the equity markets to institutional investors. Problems of valuation will have to be solved in the case of life insurance companies, and there are also difficulties in separating ownership from control of business enterprises. Under the circumstances, therefore, we can hardly expect to see such radical changes in institutional investment practices in the near future.

Thus, we may conclude that, as in the past, there will be some gradual changes in the types of investments made by the principal savings institutions and pension funds. It seems doubtful, however, that the volume of funds in their hands will expand so rapidly as to cause a major alteration of the trends which might otherwise prevail in the capital markets.

There is a general basis for this belief to be found in the long-run behavior of personal savings. The growing tendency for individuals to turn over their savings to investing institutions rather than to make direct investments themselves has been operating for many years and will be reinforced by the further extension of private pension plans. However, it seems doubtful that there will be any substantial addition to the aggregate volume of savings of all kinds. Although our statistics are not altogether satisfactory, it appears that over a period of several decades people tend to add to their liquid savings a fairly fixed percentage of their disposable incomes, except in years affected by wars or depressions. This tendency suggests that the growth in volume of new pension fund investments will be balanced, in part at least, by a shifting away from other forms of liquid savings. It seems sensible to expect, for example, that private pensions will cause some decline in the volume of individual annuity contracts which the life insurance companies may underwrite.

Even though we cannot at this time estimate the volume of private pension plan accumulations in ten or twenty years from now because of the large number of variables involved, we can, it seems to me, conclude that no investment problems are likely to be created which cannot be met by the gradual adjustment of our capital markets to a changing situation.

The Price Level

My third and concluding point is a very general one: What effect will our public and private provisions for old age pensions have on the general price level?

In the production of goods and services, employer pension contributions are a cost similar to wages and salaries. Whether the payments go to public or private programs, the result is an increased cost which ultimately will be largely shifted to the public in the form of higher prices. A universally applicable contribution is, of course, more certain to be shifted. When the bargaining power of the employee is strong, any contribution he may make is likely to be shifted to his employer, and from there to the public through price increases. This process can, of course, lead to economic stagnation or substantially reduce the purchasing power of the promised pensions.

Fortunately, this need not be the result. For example, the record shows that during the last 40 years it has been possible in this country to reduce the work week by over 20% while more than doubling real weekly wages. If we can make comparable progress in the future in improving the efficiency of the utilization of all our resources, we can absorb pension costs from our gains. Either prices will not be reduced as much or wages will be increased less than would otherwise be the case. But either of these consequences is consistent with economic progress, just so long as there remain significant unpledged gains to act as an incentive for further development.

It is easy to overlook these sober realities of the situation and to listen to the siren call of those who urge us to vote ourselves a utopia of comfortable retirement. We did not achieve that shortening of the work week and increase in real wages by voting for it! We succeeded in raising our standard of living—and we can likewise provide a sound pension program for our retired workers—because we had the skills and the incentives to organize our resources with breater and greater efficiency. It is this increasing productivity which must be the measure of our ability to provide both incentives and old age security.

The process of establishing these pension programs bands together a very large group of people who are either receiving pensions or who are keenly aware that they will receive them in due course. These people have a vested interest in the kind of economic progress and in the sound public policies which will preserve the purchasing power of their retirement incomes. The provision of reasonable pensions to large groups on the basis of their earnings can, therefore, prove a constructive and stabilizing influence in the economy.

I doubt, however, that these people fully understand the issues. I do not believe they realize that if we fail to maintain our productivity gains over the years, or if we pledge them over and over again for other purposes, there can be only one consequence in the long run. We shall have issued too many claims against our goods and services relative to the capacity or willingness of our economy to produce them. To escape from this situation is to dilute the value of the claims. In other words, unless we can make good on our expected gains in efficiency and productivity, the final result will be simply to reduce the purchasing power of the pension payments to a point where they will be more easily serviced out of current production. To issue pension promises in terms of dollars of continuously depreciating value is a kind of fraud and deceit, in which I am sure none of us would willingly collaborate.

Will these basic truths be recognized or will they be disregarded? To me, this is the most fundamental question raised in taking a longer-range view of the whole subject of old age pensions.

With Harris, Upham Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—J. Philip Simpson has become associated with Harris, Upham & Co., 912 Baltimore Avenue. Mr. Simpson was formerly with Cruttenden & Co. in Lincoln and Omaha, Neb.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Mary G. Tucker has joined the staff of Waddell & Reed, Inc., 1012 Baltimore Avenue. Miss Tucker was previously with Prescott, Wright, Snider & Co.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — President Truman's small business aid program has come right along on schedule—too late for any comprehensive action at this session of Congress.

All the main points of the President's program submitted to Congress—loan insurance, special capital banks, broadening of the RFC's capacity to lend, and free government services to small business—were agreed to at least two months ago. They were even published in some newspapers.

While agreed to a couple of months ago, however, the program was not formally unwrapped by the President until just before the start of his long tour to educate the public to the blessings of the Truman program.

Among those in the know at the Capitol and in the Administration, there is not the slightest doubt that the program was deliberately held up until too late to make its enactment possible this year. This confirms the suspicion, widely held, that the President is only making a play for small business support and does not as yet take this particular program seriously like he has taken seriously some more far-reaching government adventures into business.

On the other hand, to give the customers a good show requires more than a mere Presidential beseechment on behalf of small business. There are likely to be at least committee hearings on phases of the program before the wind-up of the session. If it is "safe" in the sense there would not be time to debate and pass a bill on the floor for adjournment, one committee or the other may report out a part of this program.

It is possible that some mild broadening of RFC's loan terms might pass, and perhaps also the appropriation of funds to the Commerce Department to give some of the free legal, accounting, engineering, and managerial services already being given by RFC.

There was considerable amusement that the President proposed to give the Commerce Department supervision over most of the program. The Commerce Department was delegated to "pull together and coordinate" a small business legislative program for the White House. In the process the Department tried to swipe some of the business from other agencies. This is a factor which alone would lead to considerable sabotaging, by other agencies, of the President's program.

* * *

Inasmuch as the House Ways and Means committee, in executive session, has tentatively cut taxes by a total in excess of $1 billion, there is a growing disposition to count as an impossibility, final enactment of a tax reduction bill this year.

It is doubted that in House passage, Senate committee consideration, and Senator floor consideration, the total of cuts could be held within manageable proportions. In any case, the large House total puts the Senate Finance Committee on a spot, leaving it little room to adopt tax cuts its own members like, and knowing that the Senate, in floor consideration, will enlarge the total.

There is a possibility that the House may either backtrack and rescind some of its cuts, or achieve a considerable total of compensating tax revenue. On the other hand, if this does not develop, it is possible that the Senate Finance Committee will just chuck the whole tax question and report out no bill.

* * *

There is a strange and esoteric situation developing over the efforts to defeat the Budget Bureau's plans, through the 21 proposed Presidential reorganization plans, to concentrate power into the political heads of departments and take it out of those who exercise quasi-judicial functions. The reorganization plans also have other objectives.

These are the proposed reorganization plans which would threaten the independence of the Patent Office, the supervision of national banks, the independence of government farm credit agencies from farm control planners, and the plan which would do away with the independent prosecution of labor unions for violations of the Taft-Hartley Act, among others.

Several of these plans, considered by themselves, can muster the 49 votes which the law requires must be voted against them, if they are to be upset. On the other hand, the whole kit and caboodle are practically all opposed by the conservative-minded members of the Senate Expenditures Committee. Several of these plans already have been made the subject of resolutions of disapproval by that committee, and most of the others will be, too, before their effective date, unless vetoed by 49 Senators, by May 24.

The very fact that the Senate will be asked, in effect, to turn down the entire Budget Bureau (Truman) package, is likely to arouse such a total opposition of Senators friendly to the Administration, that several disapproval resolutions will be defeated, despite their individual merits.

Finally, these resolutions of disapproval cannot get considered, even though theoretically "privileged," unless a majority of the Senate adopts motions separately put in the case of each resolution of disapproval, in effect to set aside consideration of the proposed Fair Employment Practices Bill.

Although reorganization vetoes and FEPC are entirely dissimilar matters, the effect of a dozen to 20 motions to set aside, a day at a time, consideration of FEPC, will put those Northern conservatives playing pro-FEPC politics on the spot. For the "civil righters" will flay those who vote to set aside FEPC, as deserters of the great cause.

Out of such stuff does the concentration of power in government arise. The Budget Bureau knew what it was doing when it held back its 21 reorganization plans 2½ months and then submitted all of them in one batch.

* * *

Senator Walter George (D., Ga.) may step in and take the Administration out of the hole it is in with respect to the FEPC, however, and perhaps incidentally salvage some of the resolutions to kill off power grabs through reorganization plans.

As Chairman of the Finance Committee, George has the initiative to ask for consideration of the Committee bill broadening old age insurance payments and coverage.

While the Administration forces would like to protect the reorganization plans against defeat, the filibuster on FEPC is coming so late as to threaten a real snarl-up of the entire Congressional program and acute embarrassment to the Administration. The filibuster was postponed to clear the way for one thing after another, and finally to "save" Senator Claude Pepper's reelection.

After the FEPC filibuster has had several days of "decent consideration," and perhaps after it has been demonstrated that a cloture motion will fail, the Finance Chairman will announce to the Senate that it had pretty darn well soon get going with floor consideration of social security expansion, or there will be no social security law in 1950. The Senators will assert some rather formidable logic to the effect that so much time will be consumed in floor consideration, so much more time in conference, that there will be insufficient time for final passage if the Senate does not turn to that subject.

The Senator also has a very great logic which he will not assert, but which the Democrats know is hidden in the closet, of perhaps delaying offering the bill to the Senate for a very long time after FEPC is out of the way, if his suggestion is rejected.

Administration leaders will cry "we wuz robbed," and howl for the record about being forced to drop the FEPC Bill. However, secretly they will shower George with love and kisses, for between the fruitless consideration of an FEPC Bill and Social Security, there is no choice. Social Security will provide the real tenable excuse for dropping the FEPC horseplay.

* * *

Concensus here is that the May 2 primaries did not establish any national trend for or against the "Fair Deal." Three of the different contests each had separate implications, Southerners point out.

The attempt of the Dixiecrats to put up a slate of men to capture control of the party machinery in Alabama by getting a majority of members of the Democratic State Central Committee was poorly organized, slenderly backed, and perhaps ill-starred from the beginning because of the inherent taint of revolt which it involved.

Senator Lister Hill, an Administration stalwart, got a very large protest vote filed against his renomination (and hence reelection) by an unknown self-starter, an insurance man with no particular backing, who simply announced that he wasn't going to let Hill just get back into the Senate by default. This protest vote scared a few Southerners who have been flirting with the Administration on some of its legislation, and even the leftish Estes Kefauver of Tennessee has asked to be counted in on the strategy meetings against "civil rights."

The meager consequences of the Dixiecrat movement suggest that it is forceful for the Southern viewpoint on "civil rights" but not forceful for conservative legislation, a cause to which it is dedicated almost equally.

In the defeat of the leftish Senator Claude Pepper in Florida there was something of a beating for the Administration which loses one Senator who is undoubtedly behind the Administration program, and gets in his place a Senator who may be mildly conservative.

This was an even greater beating for the CIO, however, which went down there in full force and panoply and again got beat, as it so often has in the past when it has made itself such an outstanding issue.

Conservatives all over the country will draw some encouragement that as strong a lefty as Pepper can be beaten. Pepper also will be unavailable "to help beat Taft" in the Ohio election. The CIO had planned to parade him all over Ohio if he won.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Ever get the feeling B. J. is trying to pack the board with his family?"